

# FINANCIAL TIMES



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Romania's PM

Forcing down the bitter pill



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FRIDAY FEBRUARY 21 1997

# **EU differences** to tune of \$5bn

International criminals are exploiting the removal of border controls and the lack of co-operation between member states of the European Union and are evading customs duties worth billions of ecus, a European Parliament inquiry found. It said failure to clamp down on smuggling - mainly of cigarettes - probably costs at least Ecu4.5bn (\$5.19bn) in lost revenues, and losses may run into tens of billions.

Split widens in Uister: John Hume, an architect of the Northern Ireland peace process. said a vote for Sinn Féin in Britain's forthcoming general election would be a vote for "the killing of innocent human beings by the IRA". His attack suggested his nationalist Social Democratic and Labour party was about to make a complete break with Sinn Féin leader Gerry Adams. Page 12

Eurofighter up against F-16: Norway said it would choose either the four-nation Eurofighter or the US Lockheed Martin F-16 for its next combat aircraft. The announcement is a blow to France's Rafale fighter and the US McDonnell Douglas F/A-18, and marks the first export competition between the Eurofighter and the F-16, Page 7

Brazil faces huge back-pay claim: Brazil's plans to cut its fiscal deficit faced a \$25bn setback after its highest court ruled in favour of 11 civil servants who said they should receive a 29 per cent pay increase awarded to military officers in 1993. Page 3

Pay up by 7.6% for US executives: Chief executive officers in the US saw their salaries rise by 7.6 per cent last year, compared with 4.6 per cent budgeted for by their companies over all, according to a report by the Arthur Andersen consultancy and the Financial Executive Institute, Page 14

GKN hope over damages: Shares in the UK engineering group GKN rose after a US judge signalled he might slash a damages award. GKN faced penalties of up to \$740m for diverting advertising fees from 2,500 franchisees of the Meineke exhaust chain in the US. Page 17

South Africa to scrap landmines: Defence minister Joe Modise said South African defence forces would begin destroying a stockpile of 160,000 landmines, retaining a limited number for training in mine removal techniques.

Diplomat to face US charges: A Georgian diplomat involved in a Washington car crash that killed a 16-year-old girl surrendered to police to face possible involuntary manslaughter charges. Georgia had waived diplomat immunity privileges for Georgy Makharadze.

Award in fatal rugby tour crash: The parents of UK soldier Lt Michael Whitley, who was killed in a minibus crash on a rugby tour in America, hava won compensation from the US military. Fifteen other soldiers from the Duke of Wellington's Regiment were hurt when tha US army driver fell asleep at the wheel.

Radioactive cash found: Belarussian border guards said a businessman from Moscow vas found carrying radioactive US \$100 bills. Some of the notes in the \$30,000 batch were said to be "seriously dangerous" to people's health.

Russia celebrates the Kalashnikov



Fifty years on, the Russian military yesterday celebrated the anniversary of the Kalashnikov assault rifle. Mikhail Kalashnikov, the rifle'a 78-year-old inventor, bolds one of the weapons at the opening of an exhibition in Moscow, More then 70m have been produced. Page 2

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Arts Guide

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its annual meeting.

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# Smugglers exploit Life carries on in Deng's capitalist crucible

By John Ridding in Shenzhen

Deng Xiaoping still gazes down from a giant hillboard above the hustling streets of Shenzhen, the southern Chinese boomtown which became a crucible of his capitalist

But apart from the mourners beneath his ontsize image and the odd red flag fluttering at half mast, there were few

signs yesterday of Deng'a lingered to read the newspa-Hawkers bustled, punters

pushed the local share market down a few notches and traffic beiched exhaust fumes into the city's sour air. "He was a very old man. I

was expecting this for a long time," said a businessman standing outside the Good Nearby Ms Wan, a student,

per tributes pinned on the public noticeboard. "It is sad, but we are prepared", ahe

Snch a low-key reaction might seem harsh given the close ties between Deng and Shenzhen's fortunes. No other city bears his mark so deenly . nor has profited so much from bis drive to restore China's

Sbenzhen barely existed dubbed China's "Number Two before the launch of Deng's Capitalist Roader" by Mao. reforms in 1978. Then it was little more than farmland, with dusty streets and annual industrial ontput of Yn60m

(US\$7.2m). Now it is an economic powerhouse with industrial production of Yn80bn, foreign investment of more than \$9bn and 600 tower blocks of 18 storeys or more. Deng, once always took the road to Shenzhen to further the cause of economic modernisation.

In 1992 he toured the city to spark a national renewal of entbusiasm for free-market reforms, turning China into one of the world's fastest-

growing economies Smartly-dressed shoppers now wander through Walmart International manufacturers edge of China's emerging com But despite Shenzhen's debt

to Deng. yesterday's reaction was in many ways a fitting

Continued on Page 12 China will honour Deng, Page 4; Editorial Comment, Page 11; Behind the mask, Page 11

# Extra \$5bn subsidy bid for Crédit Lyonnais

By Andrew Jack in Paris and Emma Tucker in Brussels

The French government is about to seek European Commission approval for a plan which could provide up to FFr30bn (\$5.26bn) in new aid to Credit Lyonnais, the troubled bank,

The amount, far higher than the FFr16bn mooted in recent weeks, is in addition to the FFr49bn already provided, which was by far the largest state subsidy ever considered by the Commission. The new demand will be examined closely and will attract opposition from other large banks.

It is also likely to provoke a fierce debate in France, especially in view of leaked estimates of the bank's results cirsuggest it will be able to report operating profits of FFr300m for 1996 and FFr3.4bn for 1997 ahead of any financial assis-

A spokesman for Mr Karel Van Miert, European Union competition commissioner, said yesterday: "Assets will have to be sold. There is not a shadow of doubt about that. There will be conditions and

they will be tougher." Also, it has emerged this week that Mr Marc Viénot, chairman of Societé Genérale, the rival private sector bank, wrote to Mr Van Miert last month to complain that any new aid would represent a severe distortion in the intensely competitive French

Mr Vienot is already chal-

By John Thomhill in Moscow

A group of foreign and

Russian investors yesterday

aunched a high-profile legal

battla to force one of Russia's

biggest manufacturing com-

panies to respect shareholder

Novolipetsk Metallurgial

Kombinat (NLMK), which pro-

duced 17 per cent of Russia's

steel output last year, bas rejected for "technical rea-

sons" the candidates proposed

as independent directors by

The investors said yesterday

that its second attempt in two

years to nominate four inde-

pendent directors to serve on

the company's nine-member

board had again heen dis-

The row is seen by many

other investors as an impor-

tant test of the country's cor-

It is part of a wider struggle

to establish and enforce the

porate governance regime.

the investor group.

missed out of hand.

rights.

package in the European Court in Luxembourg, and strongly criticised the new sums demanded by Crédit Lyonnais, arguing that the bank could survive without such a substantial increase, which would be designed to boost its sol-

vency ratio to 6 per ceot. French government officials last night played down the latest figure of FFr30bn, insisting that there were no detailed amounts in the plans to be submitted to Brussels. They said it was still impossible to make a clear evaluation of the costs involved.

However, in a little noticed entry in the European Commission's official journal of last December 24, the Commission published its own estimate of what was likely to be tal injection of FFr8bn-FFr10bn to improve the bank's solvency ratio, and FFr15bn-FFr20bn to cover the costs of writing off a loan Credit Lyonnais was forced to make to finance more than FFr200bn in assets removed from its balance sheet for sale.

Any new aid would be the third package aubmitted to Brussels in four years. In 1995, the Commission

approved an initial rescue plan involving FFr45bn of state aid, In return it demanded that Credit Lyonnais sell at least 35 per cent of its foreign assets by next year, including many of its European banking activities. These sales are likely to trigger considerable capital losses for the bank. In October last year, it approved a further lenging the previous state aid FFr3.9bn of emergency aid.

Russian steel company in

shareholder rights battle

concept of shareholder rights

dispute was even raised during

the recent visit of Mr Victor

Chernomyrdin, prime minis-

The investor group includes

Cambridge Capital Manage-

ment, a US hedge fund, the Sputnik fund in which Mr

George Soros is a significant

investor, and Oneximbank,

ona of Russia's most powerful

commercial banks. Salomon

Brothers, the investment bank,

s advising Cambridge Capital

It has collectively bought

more than 40 per cent of

NLMK'a shares over the past

few years but has been unable

to obtain meaningful financial

statements or appoint external

auditors. Under Russian law,

any sharebolder with more

than 2 per eent of a company'a

equity has the right to nomi-

nate directors for approval at

ter, to Washington.

in Russia's half-formed market instructed Mr Henrikh Padva,

economy. Investors claim the one of Russia's most experi-

# **US holds fire over Cuba panel**

Traders at Hong Kong's futures exchange during frantic trading yesterday following Deng's death

in London

The US yesterday kept alive bopes of a settlement with the European Union over the Helms-Burton anti-Cuba law ov not seeking to black Organisation panel to rule on the dispute.

The US said it was disappointed the panel had been set up and would refuse to participate in its bearings. It said Helms-Burton, which authorises private US court cases against foreign companies "trafficking" in Cuban assets confiscated by the Castro regime, was a matter of foreign policy and national secu-

rity, not a trade issue.

However, if talks with the EU failed to resolve the dispute promptly, Washington said it would make its objections formal, and declare that the panel had "no competence to proceed".

The European Commission said Washington's stance had

enced litigators, to press its

claim through the courts. The

ontside investors want to

appoint board members to

open the company's operations

to outside scrutiny. The inves-

tors hope to resolve tha dis-

pute befora a sbareholder

company's general director, said the company bad little

Mr Ivan Frantsenyuk, the

"In 1997 the group of outside

shareholders forwarded a list

of six candidates out of nine.

Regrettably, it is essential to

observe that from this stated

group there have been abso-

lutely no suggestions other

than the idea of recapitalising

the company and issuing debt

instruments." He added the company had performed "satis-

Editorial Comment, Page 11

meeting in April.

need of outside help.

factorily" in 1996.

#### Washington's stance removes risk of disruption to WTO talks

tive confrootation over estab- the basis for negotiations", lishment of the panel and left though they did not meet all formation of a World Trade tlations. "It'a fine with us," a spokesman for Sir Leon Brittan, EU trada commissioner,

> Both sides said they were determined to continue seeking a solution, and that negotiations so far had mada good

EU officials said Mr Stuart Eizenstat, US President Bill Clinton's special Cuba envoy. had recently put proposals to Sir Leon which "constituted

Yesterday's US statement was made after Mr Renato Ruggiero. WTO director-general, respondad to an EU request by naming the members of a disputes panel to

bear the Helms-Burton case. The panellists are Mr Arthur Dunkel, a Swiss formar director-general of the General Agreement on Tariffs and Trade, the WTO's predecessor; Mr Tommy Koh, Singapore'a ambassador-at-large; and Mr

Edward Woodfield, formerly New Zealand's chief trade negotiator. The panel has six months to

reach a decision on the EU's complaint that Helms-Burton violates WTO rules. President tinue waiving the law's main provisions every six months, provided the EU keeps pressure on Cuba to promote democracy.

But Sir Leon says the US must provide atronger safeguards against the application of Helms-Burton and of the D'Amato Act, which penalises foreign investors in the energy industries of Libya and Iran.

World Trade, Page 7

This announcement appears as a matter of record only. February 1997.



£726.5 million sale

**Eversholt Holdings Limited** 

**Forward Trust Group** (A subsidiary of HSBC Holdings plc)

#### **Candover Partners Limited**

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Opposition leader proposes bipartisan approach on monetary union

Mr Silvio Berlusconi, leader ensure the country took part left government. in the single European cur-

core of countries forming the

of the astute timing of the offer. It was made on the of Italy's rightwing opposi- opening day of the congress tion, yesterday proposed a of the Party of the Demo-"pact for Europe" with the cratic Left (PDS), the domicentre-left government to nant partner in the centre-

Mr Massimo D'Alema, leader of the PDS, has been The offer of a bipartisan trying for some time to perapproach to head off the suade Mr Berlusconi to potentially explosive issue of adopt a bipartisan approach ltaly's axclusion from the on key national issues. But a sizeable proportion of the euro received a cautious PDS is wary of doing a deal with Mr Berlusconi - not least because they fear this

benefits.

Mr Berlusconi launchad his offer in a letter to the PDS congress published on the front page of L'Unita, the party daily newspaper. The letter said every party had to confront seriously the idea of "a pact for Europe which does not eliminate the differences between government and opposition but helps the country move in the right direction".

Expanding on this theme

mon stance on specific questions of national interest."

He pointed out that government and opposition had already done this in January to form the joint parliamentary commission to draw up proposals for constitutional reform.

Mr Berlusconi's main ally, ance (AN), was sceptical. But AN has much to lose by he said: "Each party must ernment. Outright rejection ter, in an attempt to add

one must co-ordinate a com- structed Communism (RC) who suspect Mr Berlusconi and Mr D'Alema might forge an agreement to reform pensions at their cost.

However, any governmentopposition deal would increase the likelihood of the 1998 budget being brought forward to this summer and it being allowed to cover 18 the rightwing National Alli- months. Bringing the budget forward was proposed last month by Mr Carlo Azeglio his moving closer to the gov- Ciampi, the treasury minis-

• The government yesterday received an encouraging

This was largely because would involve substantial retain the role assigned by of the proposal came from credibility to Italy's committee the astute timing of the cuts in pension and welfare the electorate... but every the hardlinars in Reconment to achieve a sustained improvement in its public finances.

> boost on the inflation front. Preliminary figures from the country's main cities showed consumer prices in February were only increasing at 2.2 per cent on an annualised basis. This was largely because of a drop in electricity charges. But if confirmed, inflation will be running at well below the 1997 target of 2.5 per cent.

pride By Chrystia Freeland

national

Russia's top brass, humiliated by Nato plans to expand eastward and bedevilled by chronic underfunding, yesterday retreated to a happier era in an expherant celebration of the 50th anniversary of the invention of the Kalashnikov rifle.

"Happy Birthday to You, Kalashnikov!" proclaimed Krasnaya Zvezda, the army newspaper, in a banner

A flattering picture of the birthday boy accompanied an article proudly describing tha Russian rifle'a international popularity - some 70m have been made and it is used in 55 countries.

The Kalashnikov "has killed millions of foreigners," Moskovsky Komsomolets, the capital city's mostread newspaper, observed cheerfully - hut adding glumly: "Unfortunately, it has also helped quite a lot of Russians to leave this

The biggest birthday party vas thrown at the Museum of the Armed Forces, where an exhibition devoted to the history of the Kalashnikov opened yesterday. More than 40 are on dis-

north Vietnamese fighter once used to kill 78 US soldiers in a single battle. Stalin's personal Kalashnikov and a flag of Mozamb que, which includes a draw-

play, including one which a

ing of the Russian rifle, are also featured. For the elite Russian generals whose battered black Volga cars crowded around the museum entrance, it was a moment to savour past tri-

"The Kalashnikov is the world's most raliable instrument of war," said General Vladimir Mikheev, as be stood on the museum steps just a few feet from the man-sized bust of Lenin which towers over the huilding's central stairway. "The Kalashnikov represents the

genius of Russia. "Now is a very difficult period in Russia'a history,' he said. "But we have had many difficult periods and we have alwaya aurvived Historic achievements like the Kalashnikov belp the young boys who are only now joining the army to have faith in the future."

In one of the museum's reception rooms, Moscow's past and present military establishment toasted Mr Mikhail Kalashnikov, the rifle's 78-year-old inventor. who was tossed into an army prison when he came up with Russia's most famous gun. He was a regular soldier on sick leave who, like all of Stalin's men, was discouraged from taking initia-

tives. One daring Moscow daily newspaper threw a wet blanket in the direction of the festivities by reminding readers that, in recent years, Kalashnikovs have been more effective in the hands of Russia's opponents than its own soldiers: the muiahideen in Afghanistan and tha fighters in Chechnya were armed with the rifle designed by their adversary, But Russians, convinced

that Nato's planned eastward expansion will set the seal on their nation's decline as e military power, took solace in one development. The still sprightly Mr Kal-

shnikov is reported to have recently taken a business trip to Turkey on behalf of the factory now run by his son. "Even though they are part of Nato, the Turks like Russia's guns," one Moscow observer said.

**EUROPEAN NEWS DIGEST** 

# Russia warning to Albright

Mrs Madeleine Albright, the US secretary of state, arrived on her maiden visit to Moscow yesterday to face a chorus of opposition to the eastward expansion of the Nato

Mr Yevgeny Primakov, the Russian foreign minister, led the attack with the warning that "Russia has e negative position on Nato expansion and will continue to hold this position".

His words were echoed by a Kremlin spokesman, a top communist politician and one of Russia's most prominent businessmen. Mrs Albright is making a two-day visit to Russia in an effort to persuade Washington's former cold war opponent that Nato enlargement does not pose a

But the Kremlin yesterday in turn received a dressing down from the country many Russians believe should be their partner. In an interview in a Moscow newspaper, Mr Leonid Kuchma, the Ukrainian president, accused Russia of taking an imperialist attitude towards Ukraine and said the Kremlin's aggression was pushing its neighbours into

#### Concern over Swedish wages

Swedish wage increases are running at a rate of 4.5 per cent a year - well ahead of the European average - at a time of slight deflation in the economy, a group of economists reported yesterday.

They warned that the wage rises threatened to cause an increase in unemployment, already running at a record level of more than 13 per cent of the workforce. The group, appointed by the Social Democratic government to monitor labour market developments, said average wage increases had reached 4.5 per cent in both 1995 and 1996 and were set to be at the same level this year. Within industry, tha level was 5.5 per cent. This compares with a European average of 3.5 per cent over the past two Hugh Carnegy, Stockhol

#### Spain back on track

Roads in Spain returned to normal yesterday, according to traffic authorities, after striking truck drivers ended two weeks of blockages without securing their demands. Most factories hit by supply shortages during the strike were back at work. The Volkswagen group's main German plant at Wolfsburg was set to resume production of the Polo model, interrupted because of lack of components from Spain.

However, Mr Javier Arenas, labour minister, warned that the stoppage would have a "negative" impact on the economy and on employment figures. Employers in the Basque region said the strike, which mainly affected northern areas, had caused tha loss of contracts which could not be recovered.

The strike by self-employed drivers was called off on Wednesday night after five days' negotiations with the David White, Madrid

#### French tax proposals The French government expects proposals for a reform of

the country's "taxe professionnelle" or local business tax system by this autumn, it indicated yesterday. Mr Jean Arthuis, finance and economics minister, said the full 20 members of the commission, which will be chaired by Mr Christian Poncelet, head of the finance commission of the Senate, would be announced next week. He suggested that the way in which the tax is calculated, who is liable to pay it and the rates imposed would all be up for discussion, and indicated that the public sector's own role -as the larger contributor to the tax - was likely to diminish.

#### Poland backs Holocaust bill

Poland's parliament yesterday approved a bill on state relations with Jewish communities, which will enable the nine tiny congregations to recover some properties lost or stolen by the Nazis during and after the second world

Mr Pawel Wildstein, head of the Union of Jewish Communities in Poland said: "The Union and I are fairly pleased that after 800 years of our existence on Polish soil we have got a basic document like this law regulating relations between the state and the Jews."

Mr Wildstein ridiculed talk that the property Jewish bodies could potentially reclaim represented huge

#### Brussels avoids censure vote The European Parliament yesterday failed to back a

no-confidence vote in the European Commission over its handling of the "mad cow" crisis, but the motion attracted a significant protest vote of 118.

The censure motion - only the third of its kind to be brought since direct elections to the parliament began in 1979 - required at least 314 votes, plus a two-thirds majority of votes cast. Neil Buckley, Strasbourg

On Wednesday Romanian police arrested Mr Alexandru Dinulescu, the former president of the private Bankcoop bank, on charges of taking bribes and granting preferential credits, state television reported.

The trial of Formula One Williams-Renault team chief Frank Williams and five others accused of mansiaughter over the death of racing driver Ayrton Senna was adjourned yesterday until February 28.

**ECONOMIC WATCH** 

#### German M3 shoots up

M3 money supply (% change over Q4-1995 average)

German money supply growth quickened in January and was well above the annual 5 per cent guideline for this year and next set by the Bundesbank in December. M3, its measure of broad money, was up a seasonally adjusted 1.9 per cent in

January compared with the average of the final quarter of last year - an annualised rate of 11.7 per cent. Against the final quarter of 1995, it grew at an annualised 8.6 per cent

against 7.9 per cent in December. The January figure was strongly affected by a large "statistical" overhang" at the end of last year, the bank said, adding that money supply numbers early in the year tended to be

exaggerated. However, the figures damped hopes of lower official interest rates in the near future. Mr Stephen King, chief European economist of London broker HSBC James Capel, said the "bias towards easing" in Bundesbank policy was beginning to fade. As expected, key interest rates remained unchanged yesterday. The Bundesbank regards MS as an important advance

indicator of inflation. Another warning came yesterday when the Federal Statistics Office announced wholesale prices had jumped by 1.2 per cent compared with December and by 1.5 per cent against January last year. The price rise was influenced by harsh winter conditions and the fall in the D-Mark's value. Peter Norman, Born

# Emi plea on bank payments systems Russian

By Wolfgang Münchau,

The European Monetary Institute, forerunner of the future European central hank, yesterday urged EU member states to step up efforts to barmonise national paymants systems ahead of monetary union. These systems are the way in which hanks and central banks conduct their financial transactions, and the request highlights one of the most important technical issues still to be

resolved. Central banks use the payments systems to provide commarcial banks with intra-day or overnight liquidity, or for security repurchase agreements, a key monetary policy instrument in most EU member
states. The banks, in return, put up

These systems were not yet truly bank in country B, which would states. The banks, in return, put up

European, the Emi pointed out. For take on the role of a custodian.

plays high

the prime minister

of Romania, could

not resist borrowing Chur-

chill's famous promise of

"blood, toll, tears and sweat"

when he announced his radi-

cal economic reform pro-

He is not leading his

nation to war. But he has set

Romania one of the greatest

challenges a country in

economic reform programme

which he predicts will

depress gross domestic prod-

uct by 2 per cent this year

and deprive the average fam-

Speaking in an office hum-

ming with the exhilaration

and exhaustion of a war

room. Mr Ciorbea claimed

Romania's desperate eco-

nomic circumstances bad

left his new administration

ever attempt at market

This week Mr Ciorbea's

centre-right government,

elected last November, set in

motion a bold combination

of macroeconomic stabilisa-

tion and structural reforms.

The government has prom-

ised to slasb the budget defi-

clt from last year's giddy

heights of 12-13 per cent of

GDP to just 4.5 per cent this

Most state-controlled

causing queues for the

prices were liberalised this

last artificially inexpensive

goods. The foreign exchange

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O The Financial Times Limited 1997. Editor: Richard Lambert, clo The Financial Times Limited, Number One Southwark Bridge, London SE/ 94L.

"We are applying intensive

with no alternative.

ilv of a month's salary.

gramme this week.

stakes game

Romanian PM

Chrystia Freeland on a daring

bid to transform the economy

peacetime can face: a tough guised subsidies (unrepaid

last year.

collateral in the form of high quality example, it was uncommon for com-

The Frankfurt-based Emi said national systems were insufficiently compatible, differing in respect of opening hours, settlement times and legal rules. They would also need to be compatible with Target, the future real-time payment system for

"Even though all systems are currently able to provide settlement services for securities transactions hy means of some form of delivery versus payment mechanism, major differences exist concerning participants in the systems, settlement procedures, risk management measures, legal aspects, and the involvement of the central bank," it said.

mercial banks to use securities deposited in another member state as collateral. "Present arrangements would probably he inadequate to enable central banks' counterparties in monetary policy operations to use securities deposited in another member state in a systematic way."

To hring about a system that did not discriminate on the basis of a collateral's "nationality", the Emi proposed two scenarios to create an interface between national central hanks that would allow foreign deposits to be used as collateral.

Under one model a commercial bank seeking liquidity from a central bank in country A could deposit collateral with a national central

Under an alternative scenario, the central bank in country B would give a legally binding guarantee to the central bank in country A. While the two scenarios may have different legal ramifications, they both involve two national central banks, as opposed to only one.

The Emi outlined a two-tier system to determine which securities qualify as collateral. Tier-one securities would be part of a common list acceptable anywhere in the Emu area. National central banks could also propose tier-two lists, made up of securities relevant to their local

The institute also urged further harmonisation of opening hours. It was agreed last year that Target will be open between 7am and 6pm cen-

tral European time.

Ciorbea's challenge

good ling to one of our proverbs, a poor man.

afford to buy cheap things. In the same are too poor to afford the sort of economy On the reform package applying intensive care treatment to a gravely ill economy. On attracting foreign investment 'it is not enough to make a good offer, it. must be a shockingly good offer."

They were not impanied by deep. nists still control important

state-owned industries and

on the fact that there are

which are opposed to reform,

structures which they con-

Mr Ciorbea remains "opti-

because people know we

His government has bol-

stered what, for now, seems

tion campaign. The prime

to exploit social tensions."

"The opposition is betting

the bureaucracy.



Romanians quene for bread, the price of which is expected

lution which deposed and executed the Communist dictator Nicolae Ceausescu, "Unfortunately, in the past, only a few macroeco-

some taxes will be increased

and the cabinet bopes to rein

in inflation by tha end of the

bea has set out a programme

of vigorous stroctural

reforms. He promises to pri-

vatise 50 companies a week.

force inefficient, state-owned

industrial giants into bank-

ruptcy and eliminate dis-

central bank loans) to the

agricultural sector which

sank the Romanian economy

International Monetary

Fund officials say the pro-

gramme is Romania's fourth

stab at macroeconomic stabi-

lisation since the 1989 revo-

At the same time Mr Cior-

care treatment to a gravely Moreover, they were not ill economy," be said, rubaccompanied by deep, strucbing eyes heavy with the tural reforms and therefore strain of two months of they failed," said Mr Ciorintense work cobbling hea, a lawyer and former together Romania's boldest mayor of Bncharest. By combining austera

macroeconomic stabilisation with nitty-gritty structural privatising 55 state-owned pig and poultry farms), he is convinced his plan will avoid the fate of its predecessors. "The Romanian people

have been asked very often to make sacrifices. We are asking them to make another sacrifice, but for the last time." Mr Ciorbea said. in the slow, measured sylvania, a dialect Romanlans associste with trustworthiness.

"If we apply all these measures together, macroeconomic stabilisation, privatisation and restructuring, we will succeed, so that in six months we will begin to see positive results," ha said. Mr Clorbea's anthusiasm

maratbon negotiating session which ended at 5am on Sunday, in which Romania concluded a preliminary agreement with the IMF and

nians this week. "We bave arrived late in this competition and that is wby it is not enough to make a good offer. It must be a shockingly good offer: one which cannot be He said be would giva for-

eigners unlimited and equal access to privatisation and

and \$2hn with hard currency government bonds this year. But Mr Ciorbea, a former trade union leader, realises

represented will be among those hardest hit hy the austerity package. To soften the blow, his programme sets aside 10 per cent of GDP to fund targeted social assistance to the country's poorest, including tripling the number of soup kitchens and increasing child support and old age pensions. Even so, Mr Ciorbea pre-

international capital mar-

tbat the workers he once

In common with the citizens of most post-Commukets to raise between \$1bn nist nations of eastern Europe Romanians passionately bope to join the western side of the continent. Mr Ciorbea has told them that

tion with the west. ern neighbours will give

#### countrymen that the harsh policies are for the collective good and not in the interests of a narrow and venal elite.

dicts that the former Communist opposition, which ruled the country until the

#### nians have felt over the past few years as their country fell behind in the eastern European race for integra-As the last of the cheap petrol and bread run out, Mr Ciorbea is boping that the dream of joining their west-

#### World Bank for some \$1.2bn the only way to do that is to The prime minister's next swallow his bitter economic target is international invesmedicine. When he announced his tors. "All countries of our size are looking for foreign reform package, he spoke of rhythms of his native Tran- investors," he told Romathe "bumiliation" Roma-

#### ensure that the process was autumn ballot, will seek to Romanians the patience to has won over western finan-transparent. Bucharest is capitalise on the high initial endure just a little bit loncial institutions. He led a also planning to tap into price of reform. Ex-Commu- ger.

# clashes flare in Tirana

Albanlan proteaters yesterday stoned riot police hold them back gave way pyramid schemes which and shoved at the fence who threw stones back and fired live rounds into the air fronted riot police. Witto disperse an angry crowd in the worst violence the capital Tirana bas aeen since popular unrest erupted hit by police batons. last month, Reuter reports from Tirana.

ported by plain-clothes security forces, beat protesters, pushing hack a crowd of about 1.000 people which attempted to oush back into the city centre after an anti-fully at a football field ont-pany after it offered to paying 48,000 people about government demonstration side Tirana against the refund money to thousands \$240m over the next two or in the suburbs had ended.

A police cordon trying to and the protesters connesses counted at least four people who were bleeding, either from stones or being

About an hour after the clashes, police had again taken control and the situation in the capital returned to calm, but security forces kept a high profile. Earlier, some 7,000 pro-

testers demonstrated peace-

thousands of Albanians. Investors blame the rightwing government of President Sali Berisha and hia Democratic party for not Tirana, Mr Berisha fearing panic withdrawals

addressed a rally of some 5,000 party faithful. Throughout the day, thonsands of desperate investors those with deposits of \$5,000 swarmed around the coun- or less to withdraw their try's biggest bolding com- money. That could mean

the collapse of a series of than 2,000 people pushed wiped out the savings of around the main payout office of the Vefa holding company, which froze all accounts last month. Vefa, which has 240 bust-

nesses and 80,000 investors, regulating the schemes. In froze its client accounts, after the fraudulent companies collapsed. On Wednesday Vefa said it would allow government's handling of of small investors. More three weeks.

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Striking teachers with riot

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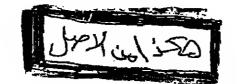
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# Russia Warm Foreign worker ban starts storm in Carinthia

A far-right member of an Austrian provincial government yesterday started a political storm when he barred contractors employing workers from outside the European Union from winning public-sector construction projects.

ers in Carinthia, we have to ensure Carinthians find jobs and income first," Mr Karl-Heinz Grasser, economics councillor in the southern province of Carinthia, said announcing the ban.

Carinthia, which has one of the highest jobless rates in Austria, is a stronghold for Mr Jorg Haider, leader of tha far-right opposition Free-dom Party, who used antiimmigration rhetoric in last October's elections to the European Parliament, winning 28 per cent of votes.

Mr Grasser, 29, is a close aide to Mr Haider. The party leadership endorsed Mr Grasser's order and called for similar measures across Austria, Mr Haider this week used a special parliamentary session on unemployment to call for expulsion of all for-

A Belgian law that states citizens from other European Union countries must leave the country if they have not found jobs within three months violates the fundamental right of EU citizens to seek work across the Union, the European Court of Justice ruled yesterday, Reuter reports from

Luxembourg.
It said countries may require eigners without a job.

All other parties, unions curement rules and has no and business representatives legal base," said the Carindenounced the order, and thian business chamber. constitutional experts said the decree was unlikely to Mr Christof Zernatto, a survive a challenge in court.

continuing to seek work and have a genuine chance of finding it. The court also npheld a European Commission argument that two other laws represented financial and administrative obstacles to the free movement of workers.

unsuccessful job hunters to leave after

a "reasonable period", but they must

be given a chance to prove they are

serious damage to the international reputation of his province, which relies The province's governor, heavily on tourism.

In recent waeks, unemmember of the conservative ployment has topped 300,000

document

obtain and pay for a residence "It violates the public pro- Peopla's Party, warned of for the first time since the second world war, pushing the Social Democratic and People's parties, the members of Austria's ruling coali-

One requires workers from other EU

comtries planning to stay for at least

one year to obtain and pay for two

three-month registration certificates instead of a residence permit during

their first six months in the country.

Another requires those expecting to labour quota for next year. stay for no more than three months to The quota covers new foreign job-seekers, as well as guest workers who want to bring their families to Austria, and even transfers of managers by companies.

Construction companies regularly use foreign workers, mostly from Eastern Europe, to fill jobs few Austrians want. About 15 per

ly-appointed interior minis-

ter, has signalled a depar-

ture from the more liberal

policies of his predecessor,

Mr Caspar Einem, announc-

ing a cut in the foreign

cent of the 10,000 building workers in Carinthia come from Slovenia, Croatia and Bosnia-Hercegovina; excluding them from public contracts would put s hesvy burden on companies and employers alike.

Carinthia's public conand maintenance were worth about Sch1.2bn (\$101.6m) last year. Mr Gras ser's order theoretically affects contractors from all EU countries, but few foreign companies participate in public building projects in Carinthia.

# Striking Greek teachers clash with riot police

By Kerin Hope in Athens

Striking Greek teachers yesterday scuffled with riot police outside the education ministry in central Athens, as the Socialist government hardened its position in the latest dispute over efforts to tighten fiscal policy and restrain public sector pay.

Primary schoolteachers had returned to work after deciding to suspend a month-long strike, but secondary teachers said they would extend the walkout for another week. The dispute has grown increasingly bitter, with the government threatening to fine striking teachers and to extend the school year into the summer.

Secondary teachers are demanding a 40 per cent increase in their basic -2 monthly salary to Dr250,000 (\$950) and the hiring of 6,000 more teachers to reduce ... class sizes and keep schools .... open in mountain districts and on remote Aegean islands.

The government has offered Dr15,000, equivalent to 8.5 per cent, in three instalments, But the education ministry says it cannot appoint any more teachers before new legislation to repeated strikes.

freeze public sector hiring for the three years. in parliament on Wednes-

day Mr Costas Simitis, the prime minister, broke with the Socialist tradition of aupporting trade union activity and strongly criticised militant leaders of OLME, the secondary teschers' union. He accused it of using talks with ministry officials on improving educational standards "simply as a means to press for extra pay".

The dispute is the latest in a series of confrontations by special interest groups seeking concessions on tax and wage changes introduced in this year's budget. The government needs a sharp reduction in the public deficit to keep alive Greece's chances of qualifying for the single European currency in the medium term.

Earlier this month it faced down a second attempt by farmers to win write-offs of debt owed to the state-owned Agricultural Bank and tax breaks for buying farm equipment by blockading the main north south highway. Civil servants opposed to a new pay scale, and seamen, who object to baving to pay income tax, bave staged

Three-pronged initiative aimed at bolstering financial infrastructure

# Bonn signals markets reform

By Peter Norman in Bonn

The German government yesterday signalled a threepronged initiative to expand the country's financial markets and channel more risk capital into investment and

Mr Theo Waigel, the finance ministar, said his department would publisb next month a preliminary draft of a long promised "third financial market promotion law" to strengthen Germany's financial infrastructure, aimed at taking effect at the beginning of

Tha legislation would include deregulation measures to encourage an equity culture, promote stock market listings, strengthen the competitive position of German bourses and improve investor protection.

It would widen the scope of investment funds so that savings could be channelled indirectly into companies, It would also remove

restrictions that bave limited the scope of investment companies to take stakes in enterprises that do not want to be listed on stock exchanges in an attempt to strengthen the access to capital of technology-oriented and small and medium-sized

Addressing the Bundestag in a debate on Germany's



Chancellor Helmnt Kobl, CDU parliamentary leader Wolfgang Schaenble (front), and Theo Waigel, finance minister (back), arrive at the Bundestag yesterday

4.66m unemployed and the government's annual economic report, the minister told MPs the planned reforms would give "an important push" to the

labour market. With an eye to next Monday's meeting between leaders of the government and the opposition Social Democratic party, be also urged the SPD to work with the government to implement its tax reform plans. The finance ministry yes-

in the financial market promotion bill. These included easier

terday outlined 19 areas of

action that it planned to pnt

access to stock market listings for young companies and the recognition of prospectuses in foreign languages, less red tape, greater recognition of modern techniques such as book building and the issue of mediumterm note programmes and easier rules for delisting.

In the investment fund sector it plans to permit mixed equity and property funds, index tracking funds and equity funds with a limited life. Fund managers will be given more scope to invest in derivatives, will be permitted to engage in securities repurchasing (repo) arrangements and be given greater flexibility to manage their liquid assets.

Disclosure of the ministry's plans cama as the Munich-based Ifo economic research institute reported a strong jump in Its west German business confidence indicator from 90.9 in December to 93.3 in January, its highest level since June

However, the Bundesbank also reported that German gross domestic product fell slightly by 0.2 per cent in the final 1996 quarter compared with the previous three

# Appeal to widen search for assets stolen by Nazis

By Andrew Jack in Paris

A leading Jewish group has called on the Swiss authorities to broaden their search for assets expropriated during the Holocaust to include bank accounts held by former senior Nazi officials and those linked to them.

The Simon Wiesenthsl Centre has written to Mr Arnold Koller, the Swiss president, and to the Swiss Bankers' Association asking them to Identify bank accounts opened after 1938 by a number of leading individuals involved with the Nazi regime plus any securities owned by them. It has made the same

request to the governments of Spain. Portugal and Argentina, other locations for Nazi assets during and after the second world war.

The action is part of an attempt to broaden the search for resources appropriated and held by the Nazis to include money and property siphoned off personally by those involved in deportation and persecution. The centre has drawn up an initial list of 334 names which it describes as including "leaders of the Nazi

ists who carried out the slave labour programme, the bankers who financed Hitler. the concentration camp alite, the men and women wbo plundered Europe's priceless art treasures", and a number of wives, mistresses and pseudonyms. Rabbi Marvin Hier, dean of the Wiesenthal Centre, cited a 1945 US army intelligence document highlighting considerable sums transferred to individuals for their personal benefit or to the Nazi movement after the defeat of Germany.

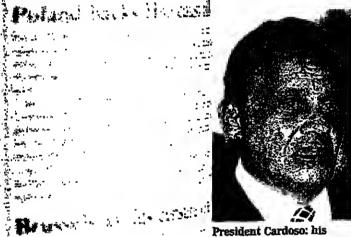
"During the cold war, it was in the interests of the allies to use the Nazis, not to make the existence of their assets public," he said, adding that a further list of names was being prepared.

The latest move comes as a number of countries bave begun putting together commissions to examine the question of assets expropriated from Jewish and other victims of Nazi persecution.

The French government this month set up a commission to begin examining assets expropriated, the legal questions concerning their current ownership and the possibility of handing them to victims of the Holocaust party, the SS, the industrial- or their families.

#### **NEWS:** THE AMERICAS

# Brazil court judgment may hit deficit cut



government infringed constitutional rights of the 11 civil servants'

Brazil's plans to cut its fiscal deficit were thrown into confusion yesterday by a decision from the country's highest court which could leave the government facing a bill of over \$25bn.

The Supreme Federal Tribunal judged in favour of an action taken by 11 civil serwants who claimed they should receive a 29 per cent awarded to military officers

The finance ministry said it did not yet know what the said that the government the pay increase to the mil-

By Geoff Dyer in São Paulo could have to pay an extra stary, thus opening the way individual claims, which The indement accompa

President Fernando Hen- claim. rique Cardoso was reported However, the impact of the

to have commented after the judgment was not immedi-

pay increase which was judgment: "It's a shame that ately clear. they did not think of Brazil." The Suprame Tribunal

\$5bn a year plus \$20bn in for 540,000 federal civil ser could take a number years nies growing concern about backdated pay.

\$5bn a year plus \$20bn in for 540,000 federal civil ser could take a number years nies growing concern about vants to make a similar to go through the legal sys- Brazil's fiscal deficit. The

'It's a shame they did not think of Brazil' - President Cardoso after the Supreme Tribunal's verdict

rulad that the government had infringed the constitucost of the court's judgment tional rights of the 11 civil would be, but economists servants by only awarding

Only the 11 civil servants who took the legal action will initially benefit and the deadline for a collective law suit bas already expired.

The president's spokes-

man, Mr Sérgio Amaral said: put at risk the stability of to take all the necessary measures." A 10 per cent increase in civil service salaries, which the government had been expected to award this year, is now likely to be shelved.

it was now even more important that Congress pass constitutional reforms to the servants will have to make public sector administration. burden,

New unit to identify and mount public campaigns

against corporations that undermine workers' rights

government is expected to announce today an operational budget deficit for 1996 The government will not of 4.5 per cent of GDP, well above the 2.5 per cent target the economy and will need at the start of the year, and on top of a 5 per cent deficit in 1995.

Earlier this week Mr Gustavo Franco, the director of international affairs at

the central bank, warned that tha govarnment's The government said that ecunomic reforms, which have brought inflation under control, could be jeopardised if action was not In theory the other civil social security system and taken to reduce the fiscal

AMERICAN NEWS DIGEST

# **Mexico** moves on forex policy

Mexico's central bank, buoyed by its increasing reserves, has announced two important changes to its exchange rate policy. Throughout 1996 it refrained from direct intervention in the foreign exchange markets, but the bank announced that in the event of the currency falling by more than 2 per cent in any one day, it would now sell off \$200m of reserves the succeeding day. "This will provide the market with liquidity that will prove useful in

times of exchange rate nervousness," said the bank. "The central bank is showing that they do not want big market moves, but that they will limit the amount of money they will throw at the market," said Mr David Malpass, chief international economist at Bear, Stearns in

The bank also announced it would potentially double the size of auctions of options to buy pesos to \$600m a month. The aoction mechanism has belped raise the size of the country's reserves to \$8.9bn, excluding money owed to the International Monetary Fund and other organisations. Reserves at the end of July 1996 were just \$2.57bn. "This is a signal that the amount of money flowing into Mexico is giving the central bank a real headache," said Mr Jorge Mariscal of Goldman Sachs in Daniel Dombey, Mexico City

#### US housing starts increase

US housing starts rose by 2 per cent in January from a month earlier, following a sharp fall in December, the Commerce Department reported yesterday. Construction of new homes last month was at a seasonally adjusted annual rate of 1.35m, compared with 1.32m in December. The rapid pace of starts recorded last summer and

autumn eased around tha turn of the year. The average annual rate of over 1.46m between April and September last year has dropped to an average for the last three Gerard Baker, Washington

#### Thalidomide use sought

Celgene Corporation, a US biotechnology company, has filed an application with the US Food & Drug Administration to use the drug thalidomide in the treatment of a leprosy-related condition. Thirty-five years ago, thalidomide was taken off the market after its use as disorders. The new application for thalidomide, under the nodosum leprosum, an inflammatory condition occurring in 30-50 per cent of leprosy patients.

#### NY jury finds banker guilty

subsidiary of Venezuela's Banco Progreso. Mr Castro, 71,

# Caracas offers chance to share in oil industry

By Raymond Colitt

opening of the oil industry," read the advertisements in Venezuela's newspapers for next week's issue of "petrobonds" by state-petroleum company PDVSA. The bonds are the first

attempt to gain investor partlcipation by the general public in the oil industry. while belping to finance PDVSA's aggressive plan to nearly double its production by the year 2005. These funds will open the

possibility for all Venezuelans for the first time in history to acquire a stake in the petroleum industry," said Mr Luis Giusti, president of PDVSA.

According to company officials, PDVSA next Thursday will be "testing" the country's relatively underdevelopad capital market with Bolivars 30bn (\$63.2m) of fixed vield paper. We want to kick off with

a secure investment option that is attractive to ordinary investors," says Mr Juan Musso, one of the architects of the project at PDVSA.

However, the the hope is

projects in tha petroleum of domestic and foreign priindustry.

"You too can be part of the each of the oil development contracts to be signed in May between PDVSA and private oil companies have been earmarked for tha citi- prosperity," he declared: zen participation pro-

Eventually, privately-run investment funds are petroleum bonds and shares. The funds, it is hoped, will boost internal savings rates and strengthen the domestic capital market.
The petroleum invest-

ment funds would provide a Caracas economist, says an enormous impulse for our emerging securities market." Mr Alejandro Salcedo, president of the Caracas stock exchange, said.

Some analysts suggest these moves are praparing the ground for eventual partial privatisation of PDVSA. Legislation before Congress seeks to anthorise Pequiven, PDVSA's petrochemicals subsidiary, to make a share offering.

Within a decade, PDVSA bopes to raise as much as \$5bn on the domestic markets.

According to Mr Jorge Serthat as the market matures. rano, bead of the country's investors will be sble to federation of industry and acquire shares in specific commerce, the participation Mr Juan Musso.

vate capital will free much-As much as 10 per cent of needed state resources. Also, it will put an end to "a dependency [on the governmentl, which has not

taken us along the path of Though the "petrobonds" offer a competitive, market pegged interest rate, which is adjusted quarterly, the planned to manage the success of their placement next waek is still uncertain. Anticipated inflation rates of

30-40 per cent for this year far exceed current interest Yet Mr José Juan Gómes, tbey offer "an attractive alternative to investors who are not ready for the equity market, which offers higher returns but also higher

In an attempt to sweeten the deal and ensure high participation, PDVSA is also giving investors an option to sell the bonds back before they mature at 100 per cent of their nominal value. Small retail investors will

ing the first week of the "We want these shares to reach Venezuelans like the national lottery does," says

also be given preference over

institutional investors dur-

US labour to target

# anti-union companies

in Waahington

Organised labour in the US will step up its efforts to targat corporations, including multinationals with operations in the US, that are considered anti-union, leaders of the main national labour organisation said yesterday.

At its winter meeting in Los Angeles, the policy-making executive council of the American Federation of Labor and Congress of Industrial Organisations (AFL-CIO) agreed to establish a new unit to identify and mount public campaigns against companies that undermina workers' rights.

The new department of corporate affairs would campaign to distinguish in the public eye between companies with good employment practices and those with poorer records.
"We basically want to see

our employers succeed in whatever they do in the private sector or the public sector," said Mr Ron Blackwall, the head of the new depart- ing campaign and efforts to tration to award them conment. But we want to see reach out to more women tracts, he said.

them succeed without benefit just to the owners and the chief executives. Wa want the employees to share in that prosperity."

The move is part of a renewed effort by the AFL-CIO to arrest the long term decline in union membership in the US. The proportion of the labour force in trada

Al Gore, US vice president, has promised tough new action against antiunion employers

unions fell from 35 per cent in the 1950s to a new low of 14 per cent last year. This week's meeting of tha

executive council, which approved a range of measures in an attempt to treatment for unions. reverse that trend, including new membership recruitment drives, a \$60m advertis- in decisions by the adminis-

been intensified in the last year under the presidency of Mr John Sweeney, who has pioneered a modernisation campaign and a larger role in political campaigning. This drive culminated in

an unprecedented advertising campaign by unions against Republican candidates in last year's congresaional elections. The campaign provoked tha ire of Republicans who threatened in responsa legislation to curb use of union funds for political advertising pur-

On Tuesday the organisation received strong support from Mr Al Gore, the US vice president, who promised tough new action by the US administration against antiunion corporations. Mr Gore told the executive

that the administration would change its guidelines concludes today, bas on the awarding of government contracts to ensure fair The way companies treat unions would weigh heavily

a sedative was found to cause severe birth defects when taken by pregnant women in the first three months.

But recent clinical trials have shown that thalidomide may be useful in treating a number of conditions. including Aids wasting and several auto-immune brand name Synovir, is for treatment of erythema Thalidomide is already used outside the US for this Tracy Corrigan, New York

A New York jury has declared Mr Orlando Castro Llanes, a Cuban-born banker, guilty of defrauding Venezuelan depositors of millions of dollars through a Puerto Rican faces a prison term of up to four years. His son, Mr Orlando Castro Castro, and grandson, Mr Jorge Castro Barredo, were also found guilty of fraud and grand larceny and face up to 25 and 40 years in prison,

# Leader-to-be in pledge to ensure continuity and hold colony on even keel

# Tung to keep top HK officials

By John Ridding and Louise Lucas in Hong Kong

Mr Tung Chee-hwa, Hong service is regarded as Kong's future leader, will particularly important given retain all the top government policy officials in his institutions during the administration after the colony returns to Chinese sov-ereignty on July 1, he said legislature, for instance, is

a very large measure of Beijing-hacked body. continuity in the leadership Tung added.

Beijing, where his choices China's central government.

By emphasising continuity and the speed of approval, Mr Tung appeared to he signalling that the financial secretary. arrangements for Hong Kong's transition should not be disrupted by the death of Deng Xiaoping, China's has clashed with Mr Tung paramount leader, and the on a number of issues, architect of the "one including Bei country, two systems" water down t formula which underpins Bill of Rights. Hong Kong's return to

Kong's ability to run its own

affairs, Mr Tung declared. The announcement is expected to holster the

democratic reforms and civi liberties.

Continuity in the civil ruptures to other transition process. The set to be scrapped in July "The appointments ensure and replaced by a

Mr Chris Patten, governor of the civil service which of Hoog Kong, welcomed will help to maintain the what he described as stability of Hong Kong," Mr reassuring news. "I am pleased Mr Tung will he He was speaking shortly served by an excellent team after arriving back from of senior officials," he said. Mr Tung has already

had heen approved by announced he will retain Mrs Anson Chan, head of the civil service, so attention focused on his decision to keep Mr Donald Tsang as Mr Tsang, a firm defender

of Hoog Kong's autonomy and its free market system, including Beijing's plan to water down the territory's But pro-democracy

The speed of the decision concern about the reflected Beijing's confidence in himself and in Hong in himself and in Hong attorney-general. Ms Elsie Leung, who will replace Mr Jeremy Matthews (who does not meet the nationality requirements of the new confidence which has been administration and is shaken over recent weeks hy retiring), was described as



Tung Chee-hwa (top): Donald Tsang staying at finance, Mrs Anson Chan at civil service

conservative, "My worry is she will he the principal legal policy adviser for the

for the Bill of Rights because Democratic party, the pro-democracy activists Legislative Council.

To, a legislator from the evident among some largest group in the existing about the duration of Mr Tung's team and whether

Mr Tung said he hoped he would not be making changes, and rejected concerns over the appointment of Ms Leung.

shortly after the handover.

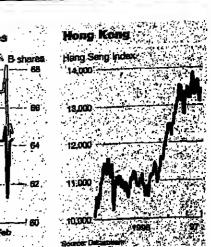
"The fact that she has a lot of feelings for China is perfectly all right," he said. am confident she will make sure the rule of law remains strong and gets stronger."

The territory's future eader also dismissed fears that Deng's demise would undermine prospects for a stable transition, a position that was backed by most business figures and the Hong Kong government.

"I don't think anyone can change the policy towards Hong Kong that Deng has in sharp set," said Mr Allen Lee, chairman of the pro-husiness rebound the Damocratic party, however, warned that Deng's death would add to anxieties ahead of the handover.

Mr Martin Lee, leader of the party, said China had already shifted from Deng's Kong a high degree of autonomy. "China simply wants to control Hong Kong," he declared. "I can see the danger that when the Chinese leadership feels insecure ahout their own present position, they may adopt an even harder line. I hope this won't be the case." Editorial Comment, Page 11

#### MARKET REACTION TO DENG'S DEATH



# Volatile Chinese markets

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China's stock markets ended a vnlatile day'a trading practically unchanged, sending policy of allowing Hong Beijing the message it wanted that domestic and foreign investors had confidence in China's post-Deng Jeadership.

The Shanghai and Shenzhen stock markets plummeted when trade opened yesterday morning in resction to the news Comrade Deng Xiaoping had passed away. Within minutes share prices were rehounding. lifted hy a combination of bargain hunters and speculation that government companies were buying stock to restore stability.

After tumbling the full daily trading limit of 10 per cent, the index of Shanghai's A shares recovered to end the day up 0.28 per cent at 1007.73 points and B shares rallied to close down 0.7 per cent at 64.67 points.

In Shenzhen, the B share index closed up 1.26 per cent at 143.53 points, while the A share index lost 2.11 per cent to 350.59 points.

A shares are denominated in Chinese yuan and restricted to mainland Chinese buyers, while B shares are reserved in theory for foreign investors and denominated in foreign currency. Traders, particularly in the domestic A share market, reported a heavy incidence of governmentbacked hnying.

By the afternoon foreign lot of orders from overseas clients, showing they had every confidence in China

after Deng," nne said. One Shanghai broker suggested Deng would he "pleased as punch" with the way the markets had taken his passing.

"We all want to be missed hut we also want to see that stand the test of time."

Deng's economic reforms paved the way for the dormant stock markets in

# **Traders** in HK cash in on end to rumours

By John Ridding

Hong Kong's stock market roae sharply yesterday as investors welcomed the removal of a lingering uncertainty following the death of Deng Xiaoping, China's paramount leader.

The Hang Seng index climbed by 305.1 points, or 2.33 per cent, to close at

Bonds remained largely steady, although the yield on the territory's 10-year exchange fund slipped from 6.88 per cent to 6.80 per cent. while the Hong Kong dollar strengthened against the US currency, trading at about HK\$7.7385 compared with ahout HK\$7.7495 when Deng's death was announced early yesterday morning.

"The fact of Deng's death was less worrying than the rumours," said Ms Pauline Loong, head of the China department at Jardine Fleming in Hong Kong. Last week the Hong Kong stock market Jost more than 4 per cent on reports Deng'a health was

Investment analysts predicted further volatility, hut they said Deng's demise had removed a long-standing burden from the market and that the authorities in Beijing appeared to have the situation well in band.

Of greater significance, say some analysts, was the reaction of the Hong Kong dollar. Some currency traders said the Hong Kong Monetary Authority, the territohrokerages were "taking a ry's de facto central bank, had been active in the market, while others claimed Chinese investment fund had been huying heavily.

The HKMA declined to comment on its activities yesterday. But officials have made clear the authority will intervene if necessary to support the Hong Kong dollar, which is pegged to the US dollar at a rate of HK\$7.8. The HKMA has foreign exchange reserves of more than US\$64hn, while tha Peoreopening of China's long ple's Bank of China has also pledged its support for the

# China will honour Business as usual Deng with whistles in booming China

By Tony Walker in Beijing

China will honour Deng chairman of Taiwan's main-Xlaoping. Its paramount leader, with a gathering of 10,000 mourners in Beijing's Great Hall of the People next Tuesday. But Deng's family has asked that his funeral be simple, saying be did not wish to lie in state. His body will he cremated and his ashes scattered at sea. The nation will hold six

days of mourning, culminating in Tuesday's gathering. Whistles on trains, warships, and factories will he blown for three minutes on that

on people to rally behind the central square. ruling Communist party and leader. "We must uphold and unification, unite more conscientiously around the letter from his family said. flag flew at half mast in ert Ng chairman of Sino party central committee "No ashes should be preat the core," the ohltuary rade Deng that his ashes he declared.

Deng's wish for an austere funeral is in keeping with Zedong, whose remains are tated for several years. on permanent display in a

Mr Chang Ching-yn, China, yesterday said policy towards Beijing would not change following the death of Deng Xiaoping, reports Laura Tyson in Taipei. Beijing regards Taiwan as a renegade province, and rela-March when China staged military exercises off the island to intimidate Taiwanese against voting for inde-

An official obituary called vast mausoleum on Beijing's

pendence.

"Comrade Deng always funerals, and it is in keeping about their business norsafeguard party unity and with his ideas that no farewell ceremony be held," the with Comrade Jiang Zemin served, It is the wish of Com-diplomatic quarter, embascast into the sea."

Deng died in Beijing on his rejection of a personality Parkinson's disease and respiratory failure. He was to follow the example of Mao 92 and had been incapaci-

China was calm after state

Mr Shih Hwei-yoo, vicechairman of the council. land affairs council, which said China already had polidetermines strategy towards cies for the post-Deng period. "It will not change those policies." Taiwan's efforts in the past year to raise Its international profile have aroused angry protests from Beijing.

Yesterday the Taiwan doltions between the two have alar opened lower hut recov-been cool since elections last ered, as did share prices, ered, as did share prices, which closed higher amid heavy trading as the government assured investors it would act to stabilise markets if necessary.

> with the long obituary hon- China." ouring his accomplishments. Beiling and other cities went Hong Kong, which reverts to joint ventures in China, mally. Few signs of public mourning were seen. A red Tiananmeu Square; in the Land, one of the territory's sies lowered their flags.

The funeral committee, Wednesday evening from headed by Mr Jiang, said next Tuesday's memorial meeting would give the "whole party, military and people a chance to express

started circulating three years ago that Deng Xiaoping was close to death, the foreign business community in China got the jitters.

"There was a real fear when he died there would be great turmoll; expats wondered how we would get out of the country," recalls Mr Chris Merry, partner at accountants Coopers & Lybrand in Shanghai.

Yesterday, Mr Merry, like fellow China investors in Hong Kong, Shanghal and Beijing, saw "no reason for Mr Deng's death to upset media announced his death husiness confidence in That view was shared in

> Chinese sovereignty in July. "It's life as usual and husiness as usual," said Mr Robmost aggressive property companies, Siuo Land. which has investments of over HK\$100bn (US\$13hn) in Hong Kong and around HK\$2hn in China, spent a further HK\$6hn on an acquisition spree over the last three months. "And we'll carry on investing even

rumours more in Hong Kong and general manager of US agri-China," said Mr Ng. Hong Kong is China's hig- said: gest foreign investor, and a

relationships that pre-date the communist takeover of

British controlled couglomerate which claims the longest relationship of more than 160 years – albeit ona which has had thorny moments - reckons the process of reform unrolled hy Mr Deng is irreversible, and that the transition he charted for Hong Kong will go ahead according to his blueprint.

The group boasts some 70 spanning fast food to financial services, and conducts a total trade (which includes China sourcing) with the mainland of around US\$1bn. In Shanghai, most businesspeople were unruffled by Mr Deng's long-awaited passing, if not positively upbeat about China's pros-

pects in the post-Deng period. Mr John Holden, president of the American Chamber of Commerce in Beiling aud

husiness Cargill in China

"The economic reforms will number of the territory's if anything pick up in pace, higgest names have husiness as the success they have had in reining in inflation and stabllising the economy lends logic to an increased Jardine Matheson, the velocity in the reform pro-

Another reason for the confidence is political: Mr Terumata Ihara, geoeral manager of Mitsubishi Corporation in Shanghai, says President Jiang Zemin's stroog leadership will help to underpin a peaceful transformation.

However, behind the rosy forecasts there were notes of caution.

Many companies in China are seeking relaxation of hurdensome regulations and privately coocede that realignment in the wake of Mr Deng's death could delay market liberalisation. Mr Peter Batey, chairman

of consultants Batey Burn. said "some of the financial services reforms could be put on bold," referring to proposals to admit joint venture mutual funds in China.

James Harding

# Army kingbreakers in the wings



commander in the war against Japan and China's civil war. Deng Xiaoping could always count on military which saw him as

Mr Jiang Zemin, described officially as the "core" of the leadership, hut with a background as a technocrat and administrator, has no such rapport though he has been working hard at his army The military is believed to

"kingmaking" role than in appointed its ability to be a "kinghreaker" should the stumble.

Inevitably, the position of senior officers of the Central the paramount military organisation, will be cast in sharper relief. Leading military figures

who are likely to he prominent in this new period include General Chi Haotian, be generally supportive of the defence minister, who is figures who will be Deng's military secretary

s a veteran of the Mr Jiang. A western analyst close to Mr Jiang, and important in the post-Deng Long March and field said the army's importance General Zhang Wannian, period include the veteran commander in the would lie less in its both of whom were Zhang Zheo. 82, who with vice-chairmen in 1995.

Gen Zhang. 68, is tipped the support of the powerful new collective leadership for promotion to the standing committee of the ruling polithum at the Communist party congress replace General Liu coming days. Huaqing, the veteran naval commander who has served as military representative on the standing committee since 1992.

Zhang Zheo. 82, who with CMC Gen Liu serves as joint vice-chairman of the CMC under Mr Jiang. These Long March veterans have been kept from retirement precisely because it is felt that China will need a Military Commission (CMC), later this year. He would steadying hand in the

> Other military figures waiting in the wings who are in a position to assume greater prominence include Lieutenant-General Wang Other prominent military Ruilin, 68, who worked as

Mao Zedong, China's "Great Helmsman", the year before. Gen Wang was appointed to tha CMC in 1995, hut Deng's demise robs him of his patron.

The military appears likely to exert greater to provide additional funds for arms purchases.

The defence forces feel they have heen the poor relation in China's modernisation drive.

Tony Walker

# Prosecutors to question President Kim's son today

Inquiry finds no evidence of pressure on banks to lend to collapsed steel giant Hanbo, John Burton reports from Seoul

President Kim Young-sam is expected to be questioned today by prosecutors on whether he played a key role in arranging loans for the Hanbo steel group, which went bankrupt last month in the nation's biggest corporate collapse.

Mr Kim Hyun-chul will appear before prosecutors to support a libel suit he has filed against six opposition politicians who allege his involvement in the hribes-forloans scandal. Ten top politicians without adequate credit analysis and husinessmeo have already and feasibility studies of its projbeen indicted for allegedly ect to huild one of the world's tor banks, while Moody's invesaccepting payments from Hanbo. Most Koreans helieve government prosecutors are covering up disciplinary action against execu- long-term ratings of three of the acquired from 61 banks and other run Korea Development Bank, of creditor said the banks had to

The son of South Korea's participation by the president's inner circle in the scandal. South Korea yesterday said It South Korean embassy in Beijing according to an opinion poll released yesterday.

An inquiry hy Korea's bank "watchdog" yesterday found no banks to lend to Hanbo, despite allegations that have shaken the

Instead, the Office of Bank Supervision criticised leading hanks for lending nearly Won3,000hn (\$3.44hn) to Hanho

largest steel mills.

would contribute \$6m to the and travel to Seoul via a third Burton writes.

snggestions by officials in Seoul Pyongyang and reduce activities UN agency, last week appealed that the defector, Mr Hwang Jang-yop, will soon leave his China. temporary sanctnary at the

tives from Hanho's higgest credi-

United Nations for emergency country. South Korean and Chifood aid to North Korea in a con- nese officials have been negotiaciliatory gesture to ease tensions ting Mr Hwang's safe passage evidence of political pressure on caused by the recent defection of after he defected in Beijing last a top North Korean official, John week. Seoul is expected to promise Beijing out to exploit Mr The announcement came amid Hwang's defection to aggravate hy its intelligence agents in

> North Korea has apparently donate \$10m. banks involved. Haoho went bankrupt last tor Service, the US credit rating month under the weight of

Hwang he returned to Pyong-The Nortb's willingness to

reflects its need to acquire food aid for its starving population. The World Food Programme, a for almost \$42m to feed North Koreans. The US has agreed to

financial institutions for the steel project. OBS accused the hanks, which include Korea First, Cho The OBS warned it might take agency, downgraded the Won5,000hn in loans it had Hung Korea Exchange and state-

alleged lack of technical expertise to assess it.

Little consideration had been resolve quickly the diplomatic given to Hanbo's financial state row over Mr Hwang's fate and concerns that its ambition to become Korea's second biggest steelmaker was unrealistic, OBS

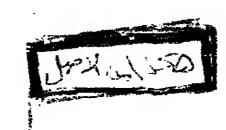
> The Hanho project "was not carried out under a comprebensive master plan from the start". with numerous changes to its planning that more than doubled its initial cost estimate to Won5.700bn, said Mr Choi Yeonjong, a senior OBS official.

An official from Hanbo's main

"superficial scrutiny of the bear much of the hlame for loans dropped its demand that Mr Hanho project" hecause of an to the steelmaker. But, he added, the banks believed alleged participation of the stata industrial bank in financing the steel project indicated Hanbo had enjoyed government support.

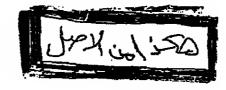
long-term deposit and senior debt rating of Korea First to Bas2 from Baal, while those for Cho Hung and Korea Exchange were cut to Baa1 from A3.

The financial strength ratings of Korea First and Korea Exchange fell to E+ from D, while that for Cho Hung dropped to D from D+. All the banks



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We also record sales in 117 countries with a strongly

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Value beyond chemistry

Ciba Specialty Chemicals

By Judy Dempsey

lsrael's cabinet will today try to agree measures aimed at curbing the budget deficit after an unexpectedly high shortfall of Shk1.3bn (\$394m) last month and figures this very good," according to Bank of Israel officials.

income/expenditure projections so as to make corrections on time. It also said the government should make expenditure cuts rather than raise taxes if it was likely to exceed this year's Shk9.7bn hudget deficit target. The government is planning to cut the deficit to 2.8 per cent of gross domestic product. Last year It was 4.7 per cent.

the country's largest bank, economics report that any further rise in taxes or clt "could aggravate the slowdown already apparent has not been questioned.

in economic activity". in investment in fixed assets cent this year, leaving the checks and balances.

finance ministry little room to manoeuvre if it does not want GDP growth to fall fur-

If February's budget deficit figures match January's, they will damp down the business community's bopes of a substantial interest rate month already "looking not cut. It had reckoned that last month's 0.4 per cent rise in the consumer price index -The central bank said yes-terday it wanted the govern-inflation rate down to 10.1 ment to introduce monthly per cent - would be enough to justify a generous rate cut. The key lending rate is 14.2 per cent.

But the Bank of Israel, often at odds with the finance ministry over its tight monetary policy, has manoeuvre. Yesterday it insisted that any substantial interest rate cut depended on the continuing downward However, Bank Hapoalim, trend in the inflation rate and the government's comwarned in its latest monthly mitment to pursuing a tight fiscal policy.

Although the bank's policy spending cuts aimed at has infuriated the export adhering to the targeted defi- sector of the business community, its independence

However, earlier this week Hapoalim has forecast that a group of opposition Labour GDP will grow 3.7 per cent and governing Likud parliathis year compared with 4.4 mentary deputies succeeded per cent in 1996 and that the in the first preliminary legisrate of growth in private lstive steps to weaken the consumption will fall from 8 hank's powers. The bank per cent in 1996 to 5 per cent said it would resist any this year. The rate of growth attempts to undermine its independence, accusing the will drop sharply, from 7.3 supporters of the motion of per ceot last year to 2 per trying to undo the system's

INTERNATIONAL NEWS DIGEST

# African hopes of Olympics hit

African bopes of hosting the continent's first Olympic Games suffered a hlow yesterday when the International Olympic Committee expressed concern about the crime problem in Cape Town, the South African city bidding to hold the 2004 games. In a report on the 11 bidding cities released yesterday, the IOC's evaluation committee acknowledged that Cape Town had developed a detailed strategy to improve security but said it remained concerned about the serious crime in the city and in South Africa in general.

Cape Town has long been a favourite to host the 2004 games because the IOC is known to be keen to bring the games to Africa, and the only country capable of bolding the event is South Africa. Among the other contenders, the report bad generally favourable evaluations on Rome. Atheus, Stockholm and Buenos Aires. These four cities along with Cape Town, are expected to make the shortlist which the IOC will announce on March 7. The other six bidding cities are Istanbul, Lille, St Petersburg, Seville, St

#### Manuel charms investors

Mr Trevor Manuel, the South African finance minister, stepped up a pre-budget charm offensive yesterday. promising fiscal rectitude and further economic reforms. Mr Manuel has abandoned the usual cloak of silence

ahead of his budget speech to parliament on March 12. Instead, be and Mr Chris Stals, the Reserve Bank governor, have had a hectic week briefing local and international investors on the improving economic situation, including a sharply narrowing current account

Addressing the first domestic "roadshow" yesterday, Mr Mannel once again pledged his commitment to the "main plank" of the government's Growth, Employment and Redistribution (GEAR) strategy – grinding down the budget deficit. "The 4 per cent deficit for 1997/98 is immutable," be said, referring to the promise to cut the deficit from 5.1 per cent this year to 4 per cent in 1997/98 and 3 per cent by the end of the decade.

South African government honds took heart from the deficit pledge, moving to their best levels in a year. But the rand remained nervous after stalling below the 4.4 level against the dollar last week. Reuter, Johannesburg

#### Saudi rebel warns of holy war Mr Osama bin Laden, the exiled Saudi dissident and rebel

leader, has threatened to wage an Islamic holy war against the US and its allies if Washington does not remove its troops from the Gulf region. From his beadquarters in Afghanistan, be said the US was occupying and violating Islam's greatest and boliest lands and must be expelled. The bomhings in Riyadh in 1995 and at a military housing complex in the eastern Saudi city of al-Khobar last June in which 24 Americans were killed were a warning.

"The bombings. . . were a clear indication for the crusading forces to correct this grave mistake and for them to depart before it is too late," he said. "People will not only hit the American military but also demand the expulsion of American civilians." Reuter, London

#### Israel in 'spying' protest

Israel's foreign minister yesterday called on the Egyptian government to release an Israeli businessman accused by Egypt of spying for Israel. Mr Mohammed Basslotiny, Egypt's ambassador to Israel, was summoned to the Israeli foreign office to receive a formal request for ths release of Mr Azam Azam, arrested in Cairo with two Egyptian men last November.

Mr Azam was charged at Egypt's state security court on Monday, accused of spying and working against Egypt's national interest. Two Israeli women, who are currently outside Egypt, are also accused. "The man had nothing to do with any intelligence operation and of course the conclusion is he should be set free," an Israeli foreign ministry spokesman said in Jerusalem yesterday.

Mr Azam, 35, is technical manager with Tefron Egypt Textiles, one of a handful of Israeli companies operating in Egypt. Egypt criticised Israel for highlighting the affair when it could perhaps have been dealt with discreetly. thereby avoiding a trial. Mark Huband, Cairo



# Drive to cut costs worries new head of the OECD

after taking over as head of the world's most influential think tank, Mr Donald Johnston, secretary-general of the Organisation for Economic Co-operation and cope with a possible 10 per cent cut in his organisation's

The trigger for the budget cuts has been the decision by the US, the largest donor, to reduce its contributions.

The main frustration is the US Congress," says Mr Johnston. "I Worry about tha isolationist thinking there. It has driving the budget reductions," he said.

catalyst for radical reform of the OECD towards what Mr in terms of internal Johnston describes as a organisation." modern, less centralised and less regulated management It has also led to proposals

for job cuts, a reduction in posts, and a pay freeze for the 2,000 staff. At the same time, new

countries - many from the former Soviet bloc - are clamouring to join the Paris-based organisation. Russia has applied to join, as have Slovakia, Estonia, and Argentina.

Hong Kong has said it

Just under nine months Graham Bowley meets the man overseeing reform of the world's trade and investment. He most influential think tank

> wishes to have stronger ties. Monetary Fund, for example, against communism, is department. actually for.

Johnston, in an interview yesterday. "We are living well as within serious hudget organisation." constraints without an approved hudget. But that But the cuts have been the being said we are accomplishing a great deal

> Although this year's budget has still to be agreed, Mr Johnston is working on the assumption that it will be cut hy about 3 per cent in cent in total over the next three years.
> Mr Johnston ascribes

some of the OECD's funding problems to the lack of obvious constituencies for its work within member governments. Unlika other the International

Development, is having to This is raising important has strong links with questions about what the countries' finance ministries OECD, created 30 years ago - the OECD lacks clear ties as an economic hulwark with any one government

You find areas of support "This is a major transition [for the OECD] but there is period for us, there's no no complete corporate view. question about it," said Mr I want to devslop a corporate view among our members as well as within the

Mr Johnston's present workload has not been made easier wranglings between some of the organisation's member countries. Two of the four posts of

deputy secretary-general remain vacant after France and Germany objected to Mr Johnston's proposed list of candidates. A third post is earmarked for Japan, hut has still to be filled. This leaves Mr Johnston with just one deputy to rely upon at perhaps the time of most radical change in the organisation's history.

But despite these internal international organisations problems, Mr Johnston

the OECD's message should be - the promotion of free enthuses about the process of globalisation, which he

sees as the hy-product of these twin forces. "This is why I am so hullish about the future of the planst," he said. "Globalisation is extending

economic interdependence.

and this will bring peace and

stability. Globalisation, he believes, "will ultimately he ths answer to the Middle East" problem. He draws paralisis with Europe's integration since the second world war: "It is really miraculous what has happened bere." Monetary union, he says, may be taking this process one step further.

Globalisation is also what is happening to the OECD its mambership has expanded by 5 to 29 member countries sinca 1994, and many more nations are knocking on the door.

Some fear this expansion is making decision making more difficult within the organisation and is diluting member countries are required to be economically and political open, as well as

# World Bank defends \$570m restructure plan

Robert Chote in London

The World Bank yesterday defended a controversial plan to restructure its organisation at a cost of up to \$570m over the next two

A World Bank spokesman yesterday anticipated criticism that the plan could the spokesman added. "It's prove just another costly as clear a strategy as you're restructuring of an organisa-tion which bas undergone repeated reorganisations in

"This is not just some simple growth proposal. It is a major reallocation of next two years, as well as up resources," the spokesman to \$150m more in costs for Percy Barnevik of ABB and

kering at the edges". The "Strategic Compact"

for restructuring represented increase. the long-awaited vision of Restruc Mr James Wolfensohn, the bank's president, for the future of the organisation. "This is the most important document of his presidency," going to get from us." The plan, which has not

yet been agreed hy the bank's leading sharebolders, the hig industrial countries, would cost \$420m over the

of fundamental renewal of \$170m would be generated the bank, it is not about tin- from internal hudgetary savings; the rest would have to come from a budget

Restructuring costs alone. without paying for redundancies of an estimated 500-700 people, would boost the budget 11 per cent in each of the next two years. The hank defends the

extra cost by drawing parallels with private-sector companies, where extra investment is initially required to finance later savings. Mr Wolfensohn sought

advice from 16 top international CEO's, including Mr

said, adding: "The vision is redundancy. Of that total, Jurgen Schrempp of Daimler-Benz, before drawing up his restructuring

> "This is a real exercise to make the bank the best again," the spokesman said, adding that where Daimler-Benz bad adopted "shareholder value" as its driving principle, the bank would benceforth focus on "development affectiveness".

> The spokesman acknowledged problems with earlier efforts aimed at trimming staff, adding also that it was not clear yet what net reduction in staff would result from the current plan which also involves new hir-

"By the time you've done four of these (redundancy efforts), you have to step back and say: 'There's something wrong here'."

Deflecting expected criti-cisms that the new restructuring would be no different from previous ones, the bank said: "This one will work because it's different". The bank apokesman

stressed that internal reorganisation would not be the only thrust of the plan; the proportion of bank staff in the "front line" rather than back office jobs would rise, but at the same time the bank would be shifting its

This would give increased best," he declared.

emphasis to social aspects of development and to the changing relationship between the public and private sectors.

Front-line operations had been disproportionately hurt during previous cost-cutting. exercises, and this had to be rectified.

Tha spokesman rejected snggestions that the new plan would imperil hopes of securing money from the US Congress for the International Development Agency, the bank's soft-loan opera-

"The key to saving IDA is to make sure the bank is the best and seen to be the

#### Doubts voiced on expects Zaire Ghana's budget

Antony Goldman In Lagos

Ghana's plans to reintroduce value added tax, announced in the annual budget this week, caused concern among economists in Accra yesterday, as memories of the riots caused by tax protests two years ago were revived.

The budget also left doubts about some of the estimates and projections announced by Mr Kwame Peprah, the finance minister:

The figures seem a little optimistic when weighed against the economy's performance last year," said Mr Joe Abbey, bead of the independent Centre for Policy Analysis in Accra, "The real question is, can the government achieve its fiscal targets? There are already arrears oo payments from

Ghana's economy (%) 1995 1996 1997 Inflation' 70.S 32.6 15° GDP growth

last year, and expenditure may be difficult to control." Despite 15 years of economic reform, the economy remains heavily dependent on two traditional exports, gold and cocoa Mr Peprab predicted

growth in gross domestic product of 5.5 per cent, a drop in inflation and a surplus on the budget and balance of payments. Reaction to the hudget is

likely to be negative. "Unemployment is s real problem." said one supporter of the opposition, "hut there is nothing bere on what the government intends to do. Also, inflation is killing our living standards. How will they bring it down?"

Following bis re-election in December, President Jerry Rawlings has made it clear he intends to pursue policies to foster macroeconomic stability. Ghana, throughout the 1980s a favourite of the World Bank because of its commitment to structural reform, is now anxious to promote conditions condu- It would have to be preceded cive to foreign investment. by talks in Kinsbasa

# S Africa talks soon

Roger Matthews in Johannesburg

> South African officials remained optimistic yesterday that talks to balt the civil war in Zaire would soon get under way in Cape Town, but would not speculate when the two sides might meet, or confirm wbo would sttend.

President Nelson Mandela announced on Tuesday that representatives of the Zairean government and Mr Laurent Kabila, the rebel leader, had agreed to talks on a ceasefire which could lead to negotiations on democratic elections. It would be the warring parties' first meeting since fighting broke out in October. However, Mr Kabila was

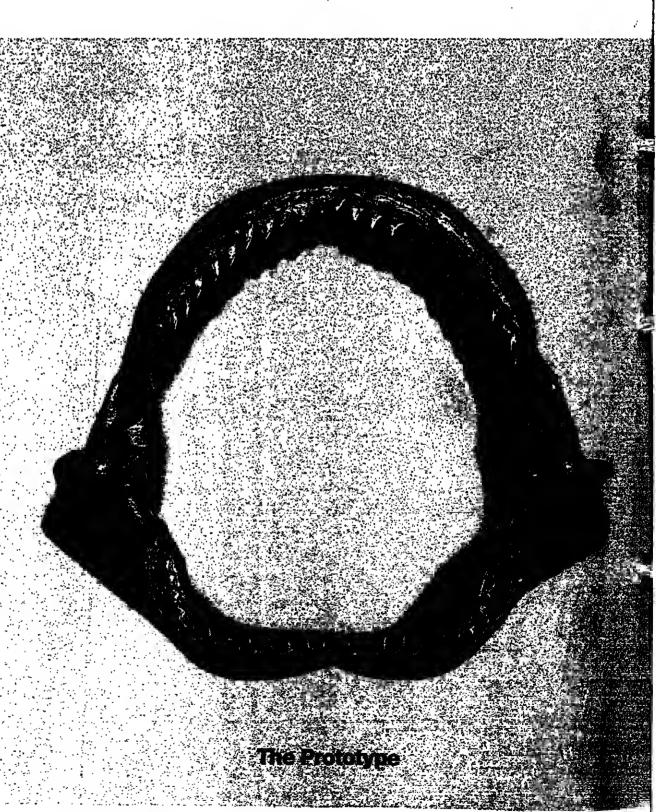
said by a spokesman yesterday to be in eastern Zaire inspecting damage to the town of Bukavu, bombed on Monday by government aircraft. But an envoy had been sent to South Africa. ln Kinshasa, a defence

ministry statement said the government would launch more air strikes against enemy positions in the rebel-held east and advised civilians to leave the war zone. Mr Rusty Evans, a senior

official in the South African foreign ministry, said a representative of President Mobutu Sese Seko bad also arrived. But he could not confirm reports that both envoys had already separately met Mr Thabo Mbeki, South Africa's deputy president, who is heading the effort to hring the two sides

together. The US is also standing by to help, with Mr George Moose, assistant secretary of state for Africa, and Ms Susan Rice, a senior member of the National Security Council, baving flown in.

Mr Leon Kengo wa Dona, the prime minister of Zaire suggested meanwhile that bis government might be willing to attend an international conference on the conflict. It bas refused two earlier invitations. He said he was not in principle opposed to a summit in Nairohi, but



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# The shadow of Mr Deng

Mr Deng Kiaoping, China's heroes of the revolution. Mr 92-year-old paramount leader, Jiang's thinking is unclear, as has been ailing and inactive for several years. Ha withdrew from public life in 1990, and was last seen in 1994. There is no way that he has been able to intervene in the running of the country since then. Yet the latest rumours of his imminent demise have caused the markets to tumble and the top officials to burry back to Beijing.

This old revolutionary clearly still matters. But it is more for what be represents, than for what he can do. The preparations for the transition have long been in place. The leadership has virtually completed the arrangements for the party congress in October. President Jiang Zemin is the anointed successor, with Mr Li Peng as his premier. So why the drama?

China may have been through revolution and civil war, but some things scarcely seem to change. As long as the emperor still livas, the mandata of heaven rests with him. Moreover, Mr Deng has the charisma which the new generation of the Chinese leadership so clearly lacks. You know what be believes in: "White cat, black cat - the colour doesn't matter as long as it catches mice." His revolutionary credentials gave him powerful influence over tha military, and the popular credibility to reverse the worst

excesses of Mao's rule. His successors are appara- cessors must also learn to tchiks, men of the machine, not ignore the colour of the cat.

Jiang's thinking is unclear, as ambiguous as the way he talks. He does not appear to have the vision to make him an eloquent Chinese leader. As for Mr Li, be is a classic product of the school of central planning, a Sovieteducated engineer. No wonder the markets are nervous.

China is still a great unknown, at least as far as the exercise of power is concerned. That creates uncertainty. But there are reasonable donbts and unreasonable doubts about how the country will develop. Reasonable doubts auggest that Mr Deng's demise may slow down the pace of reform. Indeed, his absence from the scene has already dona so. But there are still powerful reformers. grouped around Mr Qiao Shi, who are determined to press for-

ward with the proce Unreasonable donbts would see China slide backwards, halting reform, and declining into warlordism and chaos. This seems most unlikely. Whatever the inclinations of the leadership, there is a momentum to economic reform in China which seems unstoppable. Powerful institutions like the military now have a strong stake in that process. Ordinary people have seen real economic bene fits, if not democratic freedoms, in their everyday lives. That is the legacy of Deng Xiaoping. For their own survival, his suc-

# Genetic tests

rates, an Andorran actuary said his country bad "about one death per person, on average". More useful predictions of the future are promised by genetic tests. Susceptibility to common causes of death, such as heart disease and cancer, can now be assessed. But insurers, as well as health-conscious individuals, want access to this information.

Insurance was established to as losses from acts of God. Most life policies currently take account only of age, sex and smoking habits. But as genetic tests become more sophisticated, the risks of dying young or needing expensive medical treatment will increasingly be quantifiable.

Currently, just 4 per cent of UK applicants are charged higher premiums and 1 per cent refused life cover because of their medical records or family history. But actuaries expect that in 10-20 years full-scale tests will be able to predict a threefold difference in mortality between people with good and

had genes. Pessimists argue that the effect on the life market will be the same as in motor insurance, where some companies cherry pick the good risks. A lucky group will have lower premiums. But a minority will be charged far more, and some will uninsurable, denied bealth insurance.

More seriously, lower premiums may be an incentive to avoid genetic tests, jeopardising preventive changes in diet, drinking or smoking.

One response is to legislate to prevent insurers from using genetic information. New York California and 11 other US states have such statutes. .

But a legislative ban has a big Those aware of their genetic predisposition to disease will insure to the hilt, and so drive up premiums for everyone Insurers claim this could double or treble current prices. Low risk people will be denied fairly priced cover and so may no

Genetic testing currently tells little more about health prospects than family history. But more general tests will create a moral minefield. Is it fair to refuse people cover through no fault of their own? If they are not to be excluded, is It fair that other policyholders should cross-subsidise them?

The unavoidable conclusion is that risks must be priced fairly and transparently in life assur ance as in other markets. Insur ers must therefore be allowed to ask for genetic and other medical information, and to discriminate on the basis of the results However, this does not mean

# It's a runner

lova betting. Govarnments adors the revenue. So it is not surprising that national betting monopolies are common throughout the world. This is particularly true of horse racing totaliser monopolies, which thrive on collecting

large amounts of money. However, given the British Conservative government's penchant for privatisation, and its success in giving the National Lottery to a private company under government franchise, it is surprising that the UK Tote has not been sold off.

It is even more surprising to find the Labour party flirting with the idea. After trotting it in the press recently as a sure thing, the party's leaders seem to have removed it from the list. Perhaps someone gave them a peek at the arguments which persuaded Mr Michael Howard. the Home Secretary, that It was

not a runner. There would, indeed, be some formidable fences to clear. First, it is donbtful wbether the Tote is owned by the government. It was established in 1928 with the peculiar status of a "body corporate with perpetual succession". owning its own assets and

financially independent. An Act of Parliament would probably be needed to establish ownership, and the change might not be popular with MPs, especially if it were opposed by the powerful racing lobbies.

The second hurdle would be the Tote's statutory monopoly over totalised betting. This has been justified by the need to generate a big pool of money ont of which jackpots can be paid. The Tote is said to need this competitive advantage, especially now that It also faces the very powerful challenge of the National Lottery. But the Tote's monopoly might be difficult to sustain in the private sector, particularly if challenged

under EU competition law. Supporters of the status quo also point ont that the Total gives all its profits to the racing industry, which it could not do if it had shareholders.

These obstacles are surmountable, however, If critical size really is necessary for the Tote, then in the private sector the market would respond accord-

Even if a monopoly were essential, a franchise arrangement might be devised similar to that for the highly successful National Lottery. Nor is there an obvious reason why racing rather than any other sport should be supported by a gambling monopoly. But the government could, if it wished, impose a special levy for this purpose.

Most privatisation projects proved less difficult than they first appeared and yielded much wider benefits than predicted. The odds are high that the Tote would run to similar form.

# Hunt for the Siberian Tiger

Foreign investors are enthused by Russia's stock market, but the economy is struggling to emerge from crisis, says John Thornhill

Two faces of Russia: strong stock market, weak economy

1997 with a bang. After surging 155 per cent in dollar terms last year on a wave of foreign money, Russian equities have shot up another 46 per cent this year, leaving fund managers scrambling for stock.

Within four years of its creation, the value of Russia's stock market has swollen to more than \$50bn (£31bn) - already bigger than Argentina's market, one of the largest in Latin America. More optimistic bankers predict that, by the end of the decade. the size of Russia's stock market could outstrip the entire Latin American market, currently valued at about \$500bn.

Russia is "the most exciting, biggest potential play in the world", says Mr Barton Biggs, chief investment strategist at Morgan Stanley, the US investment bank. "It's crazy."

Such enthusiasm for Russia among the world's money managers might suggest to the casual observer that the country's economy is booming. ft might even prompt visions of a Siberian Tiger economy clawing for a place among the fastest-growing regions of the world.

But the contrast with the current economic situation - at least that of the formal economy could hardly be starker. Russia's gross domestic product fell a further 6 per cent last year, its fifth consecutive year of decline.

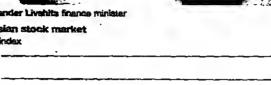
Mr Yevgeny Yasin, economy minister, concedes that Russia failed to deliver on its predictions that it would turn the economy round in 1996, This, he says, was largely because of the strains of the presidential election campaign. In the run-up to last summer's elections, the Russian govemment borrowed excessively to fund lavish spending programmes which drove up interest rates. "The economy was the hostage of Russian democracy."

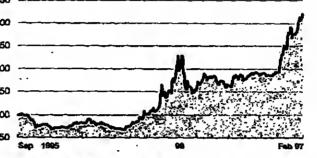
We are still in a situation of crisis," Mr Alexander Livshits, finance minister, said this month, expressing fears that the low rate of tax collection could undermine fragile public finances. "I do not believe that the tasks of financial stabilisation have been resolved."

Judging by the behaviour of Russian managers, there appear to be few signs of a swift economic turnround: industrial considerably less than the averbegrowth to in 1996. Some \$20bn of domestic capital flooded out of the country ahead of last year's presidential elections because companies feared the communist party might return to power. That capital has only slowly been return-

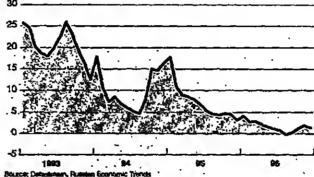
The nation's pessimistic mindset is perhaps best reflected in the birth rate, which has fallen from 17 births per 1,000 people in 1985 to just nine per 1,000 last year. Demographers link this trend with popular concerns over Russia's economic future and predict the population will fall from 147m to 123m over the next three decades - an almost unprecedented trend in a peace-market worth of electricity genertime nation.

Against such a seemingly bleak background, the question arises: have western fund managers lost their beads? Or are portfolio investors, which are regularly chided for their short-term view





Monthly percentage change in CPI



ably far-sighted perspective on

The first caveat is that the Russian stock market remains extremely small and volatile. A good day's turnover of Russian shares amounts to about \$50m ware group. The market's poor liquidity means that some shares can rise by 25 per cent on the day; they can also fall by the same amount.

Moreover, the Russian share price surge may simply reflect a one-off arbitrage between domestic and world asset prices. Fund managers argue that Russian assets are fundamentally cheap and must inevitably be revalued upwards to world levels.

Mr David Curl, director of Hong Kong-based Regent Fund Management, one of the biggest portfolio investors in Russia, illustrates the undervaluation of domestic assets by comparing the ators in Russia and Malaysia.

UES, Russia's main, partially privatised power utility, has half the market capitalisation of its Malaysian counterpart, "but Russia's population is seven times as big and the company's assets are of the world, adopting a remark- 10 times greater," he says.

"Despite the stock market's rise, nothing is yet expensive."

Such arguments ignore the facomy will begin to grow.

> been pursuing economic reform, a great deal has been achieved and a firm platform for growth established. Inflation has been cut from an annual rate of 843 per cent in 1993 to a forecast 12 per cent this year. The rouble, once a byword for decline, has been stabilised within a trading band set by the central bank against the dollar. Prices have largely been liberalised. The bulk of industry has been privatised Tariff barriers have been reduced and international trade has blossomed, with exports rising by 65 per cent to nearly \$90bn over the

> past four years. This improvement in the overall economic environment has stimulated competition in the

lives of millions of Russians and

tor of time and the cost of money. Buying UES'a shares may prove a poor investment if it takes that company 10 years to restructure aufficiently to make a decent question for investors - as well as for the Russian people - is how quickly the Russian econ-The government argues that,

during the five years Russia has

creating a small but growing middle class. Car ownership was 38 per cent higher in 1995 than three years previously. More than 2.5m Russians holidayed a trickle during the Soviet era.

an explosion of private-sector

activity, visibly improving the

Real GDP

Annual % change

Mr Vladimir Konovalov, chief economist at the Moscow office of the World Bank, says all the preconditions for growth are in place now that interest rates bave finally fallen from last year's stratospheric levels.

"For the past four years, I have heard all sorts of people say that Russia is going to career off a cliff and yet it has followed a classic stabilisation pattern. All the studies show that, within a year to 18 months of macrostabilisation, transition economies start to grow. I cannot see why Russia is so uniquely different that it will not follow this path." he says.

Most independent economists predict modest growth of perhaps 2 per cent this year, rising to an annual rate of 5 per cent by the end of the decade.

Yet, in spite of the seeming success of its stabilisation procorporate sector and permitted gramme, the Russian govern-

ment is anxious about the eco nomic prospects for 1997. The overwhelming danger remains the rickety state of its public finances and the rapid build-up of domestic debt.

Last year's presidential elec-tions imposed extraordinary resulted in the deficit mushroom ing to 7.6 per cent of GDP (including interest payments), which economists say is unsustainably large. But this year's draft budget, approved last week by the upper house of parliament, also appears dangerously loose, with a primary budget deficit target of 3.5 per cent. Even government ministers concede spending and revenue forecasts have been set

at unrealistically high levels. Mr Sergei Dubinin, the central bank governor, has urged the government to cut its spending nlans. He warns that the finance ing of such a large deficit could lead to a "dangerous" snowballing of debt, crowding out investment and stifling growth.

forthcoming paper' by two western academics also highlights tha inherent fragility of Russia's public finances, drawing ominous parallels with the economic situation of Weimar Germany in the 1930s. The financing of the budget deficit, chiefly through highvielding, short-term debt instruments, may have only postponed,

rather than won, Russia's war against inflation, the authors argue. If Weimar Germany's experience is a relevant guide. true economic stabilisation can only be achieved on the basis of a balanced budget. "The combination of high

yields, low tax collection and persistent recession make the present Russian situation rather alarming," the paper concludes.

If the Russian government is to skirt this danger it will have to make good its promises of restructuring government spending - particularly on the military and on social welfare - and mod-

ernise its tax code. A mission from the International Monetary Fund in Moscow this week is goading the Russian administration to pursue other structural reforms. In particular, it is urging the government to demonopolise core parts of the economy, such as railways, oil transport, electricity generation,

mote competition and growth. It is a big agenda and the government has made only a modest start. The hope is that Russia's ambitious new generation of corporate managers will lend their weight to the reform effort when

they begin to scent the beginnings of an upturn. Mr Konovalov of the World Bank argues the free market instincts of Russia's budding capitalists will help remove obstacles to economic growth and determine where the best oppor-

tunities for investment lie. "In Russia we no longer have a Gosplan ithe Communist state planning agencyl to tell us where growth is going to come from." be says. "At this stage you have to relax and just let it happen."

\*Weimar Germany and Contemporary Russia, by Niall Ferguson and Brigitte Granville, will be published in the next edition of Vonrosii Ekonomiki

#### Go south. young man

Not so very long ago. Welsh-looked like a dying language in its native land, so it's surprising to find the UK government exporting mouthfuls of .. consonants to the valleys of Patagonia. Three Welsh language teachers have set sall for Argentina - courtesy of a £40,000 government grant - as part of a three-year programme to rekindle national identity among the descendants of nineteenth century emigres.

The plan is to double the 350 or so students currently. attending Welsh classes in Argentina and to train-up local teachers. Volunteers from the Wales-Argentina Society have been on the case for some years without official support. government backing is the result of their vigorous lobbying and support from Conservative MP

Rod Richards. The society reckons there are about 5,000 Welsh speakers scattered across Argentina. The community runs its own Eisteddfods, as arts festivals are known back in Wales, and publishes an occasional newspaper - "Y Dravod" or

"The Dehate". But the younger generation need plenty of encouragement to wrap their tongues around the . Palestinian state. But after

· language of their fathers. With the future of the language hopefully secured Wales-Argentina activists are now turning their attention to

spiritual matters.

Their next target is to provide a helper for Patagonia's only Welsh-speaking minister of religion, who currently has his work cut out tending 18 far-fling

#### Taxing question

So what weighty matters await the government of Andorra, newly re-elected by the 10,000 strong electorate of the tiny but tax-advantaged Pyrenean state?

It seems Jacques Chirac may well pay a state visit in coming months, if be can circumnavigate the single winding road that connects. Andorra with its neighbours. The French president has good reason to drop in; he is one oftwo "co-princes" of Andorra under a constitution adopted four years ago. The other is the hishop from the nearby Spanish town of Urgell.
Plans for a more unusual state

visit are also being talked about. Head of government Marc Fornê Molne was livid last year when Benjamin Netanyahu, the Israeli prime minister, sala Andorra was a possible model for the

Madrid, Forné appears to have been mollified; he now says he is considering diplomatic exchanges.

Commercial links with Israel concerning water - the one natural resource which Andorra bas in abundance - are also being mooted. Seems an awfully long way to build a pipeline,

#### McGrowing

Philippine fast food chain Jollibee is entering the lion's den by opening its first outlets in California, the backvard of McDonalds and Burger King But Asia's fastest-growing fast food chain has all the swagger and confidence of the new kid on the block.

Jollibee has prospered at home by catering to the peculiar tastes of Filipinos; aside from standard burgers it offers exotic dishes such as Palabok Fiesta and plenty of goodies to satisfy a sweet tooth.

Under the carmy stewardship of Tony Kitchner, the Australian who heads its international operations, Jollibee has taken the formula overseas by concentrating on the thousands of Filipinos working in countries such as Bahrain, Indonesia. Malaysia and Brunei.

It'a no coincidence that California is home to the largest

single population of Filipinos outside the archipelago. But the company's Regular Yums with cheese have proved a hit with non-Filipinos in other countries and are now ready to go head-to-head with the mighty Big Mac. Stand by for a burger battla - or should that be a fast

#### Tangled web Every organisation is getting

hooked up to the world wide web, so militant Islamic resistence movement Hezbollah was bound to get in on the act sooner or later. A few weeks back Israeli PM Benjamin Netanyahu held his first internet press conference; the Tranian-backed fundamentalists have responded by opening a web site.

Visitors to the Hezbollah home page will find a colour graphic of the organisation's former secretary general, Sheikh Abbas Mussawi, who was killed by Israeli soldiers in 1992. The page also promises that "reports on the association's activities and Islamic resistance operations will be released on this page in future."

An e-mail address is thoughtfully provided for anyone who cares to comment. If only the Arab-Israeli conflict was always conducted through

# Financial Times

#### 100 years ago Italian War Preparations Rome, 18th Feb. It is stated

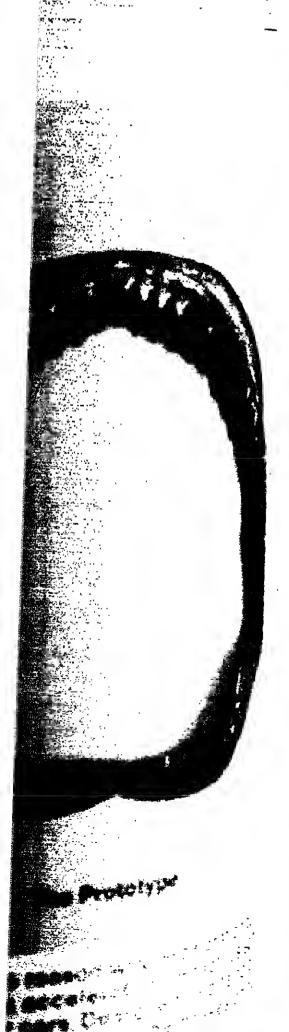
this afternoon that Admiral Bria, Minister of Marine, has given the necessary orders for the concentration within Sicily within 24 hours of a sufficient naval force with a view to the eventual despatch of an expedition to Tripoli. The Government, it is also reported, has telegraphed to the commander of the Italian forces in the Red Sea and Indian Ocean instructing him to send back to Italy two of the vessels of his squadron.

Fighting In Bechvanaland Cape Town, 18th Feb. A patrol of 80 men of the Cape Mounted Rifles encountered Galishwo, the rebellious Bechwana chiaf, and his followers at Landberg. Owing to the number of rebels in the field and the scarcity of water, the Rifles were obliged

#### 50 years ago

France And World Bank

France is hoping to secure the long awaited loan from the World Bank in the very near future. The principal French delegate, M. Baumgartner, president of the Credit National, has returned to Washington. It is understood that the French Government has obtained a firm assurance that France will be the first to get a loan from the Bank.



14

# China and Japan central banks promise stability for HK dollar

and Tony Walker in Belijing

Chinese and Japanese central bankers yesterday pledged to co-operate to ensure the Hong Kong dollar's stability after the territory reverts to Chinese rule in July.

Mr Cbeo Yuan, vicegovernor of the People's Bank of China, told e seminar in Tokyo that the Chinese central bank would provide sufficient liquidity to the Hong Kong Monetary Authority - in effect the territory's central bank if the colony's currency came

His strong support of the Hong Kong doller wes reinforced by comments from Mr Yasuo Matsushita, gover-

By Neil Buckley in Strasbourg

and George Parker in London

Mr Jacques Santer, European

Commission president, yester-

reforms to agriculture and

food policy in an effort to avert

liament over the Commission's

Facing e censure motion in

the European assembly, Mr

Santer pledged to try to amend

the Treaty of Rome to give

greater priority to bealth pro-

tection - with parliament

giveo an enhanced role in

bealth issues - and establish a

While blaming the UK for the "mad cow" crisis, he

admitted the European agricul-

tural system, underpinned by

the Common Agricultural Pol-

an accident of oature? Is it not

actually the consequence of e

model of agricultural produc-

tioo which pushes productivity

really go on claiming BSE is ers to resign.

more coherent food policy.

handling of BSE.

a clash with the European Par- policy commissioner.

day promised "revolutionary"

nor of the Bank of Japan, who with relief by Japanese com- the stability of Hong Kong ensure the smooth develop. Hong Kong, an important oper-

The comments follow assurances by Mr Dai Xianglong, governor of the People's Bank, last September, that "we will He added that Hong Kong was capable of maintaining a stable currency on its own.

At yesterday's seminar, Mr Joseph Yam, chief executive of ity, said there would be no of pegging its currency to the US dollar.

Santer promises reforms

to avert clash over BSE

reforms already announced,

which include the transfer of

responsibility for human

health from Mr Franz Fischler.

agriculture commissioner, to

Ms Emma Bonino, consumer

MEPs in Strasbourg are

expected today to endorse the

report of parliament's special

inquiry into the beef crisis,

which rebukes the Commis-

sion and UK government for

serious errors. Downing Street

yesterday said many of the

criticisms of Britain's handling

of the BSE crisis were "com-

Santer a nine-month deadline

to take "urgent and effective

censure - which would require

An immediete censure

motion of Brussels over its

handling of the crisis, to be

voted on tomorrow, is expected

action", or face parliamentary

MEPs are likely to give Mr

ete tosh".

icy, had played a role. "Can we all 20 European Commission-

ment of its financial markets. ating base for their businesses across east Asia.

Matsushita, was the final stage of an international road show help in case of an emergency". by the Hong Kong and Chinese monetary authorities to answer questions about the speculative pressure on the territory's financial outlook after the handover.

A similar meeting was held Hong Kong's monetary author- in New York last week, hosted by Mr Bill McDonough, presichange in the colony's policy dent of the Federal Reserve Bank of New York.

Mr Matsushita said: "Hong The central bankers' state- Kong has played an important ments are likely to be greeted role in financial markets and

Mr Santer admitted mistakes

by his administration and pre-

decessors but repeated his rejection of allegations that

the Commission had put the

beef market ebove public

health, obstructed parlie-

ment's inquiry and "caved in"

to UK pressure to lift the

export ban on gelatine made

would be a priority once revi-

sion of the Maastricht treaty

was completed, and would

involve 'nothing short of a

revolution in our way of

looking at food and agricul-

ture". He said reform would

focus on quality, environmen-

tal protection, and a return to

"natural production methods".

recommendations that the UK

repay EU funds spent on eradi-

cating BSE, and that the Euro-

pean Court take action over

the refusal by Mr Douglas

Hogg, UK agriculture minister,

The MEPs' report includes

Mr Santer said CAP reform

from British beef.

said the Japanese central bank marcial banks and general finance and the economy is would co-operate with the trading companies, which have extremely important, not only Hong Kong authorities to substantial investments in for Hong Kong and China and Asian nations, but for the world.

> Senior Japanese executives The seminar, bosted by Mr have privately expressed concern over the position of their investments in the colony after the hand-over.

These include the risk of currency and that Hong Kong depositors might weaken the dollar by placing their cash in

But Japanese executives have been reluctant to voice their concerns openly for fear of antagonising the Chinese leadership and jeopardising their Hong Kong interests.

#### Ahmanson bids \$6bn

Continued from Page 1

Wall Street enalyste suggested the offer was ettractive. Mr Thomas O'Donnell, analyst with Smith Barney. said: "I think they are trying to put e very ettractive deal on the table, to make the stock price rise. That might keep potential suitors at bay."

Several commercial banks outside California are considered possible friendly alternative bidders. They include North Carolina-based Nations-Bank, the nation's third largest, Norwest and First Bank System of Minnesota, and the thrift. Washington Mutual.

Ahmanson's offer document seye the merger would enhance cash earnings per share by 5 per cent this year, 15 per cent next year, and 28 per ceut in 1999. Its aggressive initial offer values Great Western at \$42.53 per share, a 24.2 per cent premium over its closing price of \$34.25 et the end of the previous trading dey.

Ahmanson'e financial advisers on the bid are Credit Suisse First Boston and Montgom-

# Deng in danger

THE LEX COLUMN

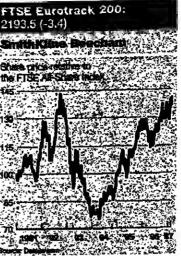
Rumours that Mr Deng Kiaoping, China's paramount leader, is close to death may or may not turn out to have been exaggerated. But their significance almost certainly has been. For one thing, Mr Deng's market-oriented reforms look built to last. The real debate in China is about the pace of further change, not putting what has already happened into reverse. In any case, Mr Deng has for some time been too frail to have any significant role. In practice, the process of transition most expect after his death - a handover to Mr Jiang Zemin, currently president - began several

None of this is to deny that Mr Deng's death would probably set off an unsettling round of political manoeuvring. And whetever the broad outcome, the risk of specific investor unfriendly policy changes emerging must always be real. But that alone is not enough to justify yesterday's severe jitters in Chinese stock markets. On the contrary, since Mr Deng's shaky health has long been in no doubt, investors cannot rationally regard the possibility of his death as any kind of surprise. The uncertainties it might provoke should already be built into their expectations. Hence, perhaps, Hong Kong markets' calmer reaction to the rumours; certainly this looks better judged.

#### Ciba Speciality

Ciba Speciality looks attractive. The demerger from Novartis will create one of the world's largest speciality chemical companies, with leading positions in additives, pigments and epoxy resins. Yesterday's price range suggests a market capitalisation of SFr5.2bn-SFr6.2bn ratio of 0.9-1.1 times enterprise value to sales, a hefty 20 per cent discount to its European rivals. Moreover, cost reductions should there is huge room to improve stock. cootrol and cash geoeration. In addition, the management's decision to invest one year's salary into shares is simirable.

Ciba's flotatioo is also the latest evidence of this industry's far-reaching restructuring, following Unilever's decision to sell its £5bn (\$8.1bn) speciality chemicals arm and the proposed merger of Hoechst's speciality operations with Clariant. Corporate activity should create fewer, more profitable pro- acquisition.



ducers and prompt the emergence of a properly analysed European speciality chemicals sector. The established US peer group is valued

10-40 per cent more highly. This should also be good news for Europe's chemical conglomerates. While they have been re-rated on the basis of their pharmaceutical ectivities, the stock market has yet to distinguish between chemical businesses, tarring bulk and speciality chemicals with the same brush. A change in perception could give share prices another push.

#### SmithKline Beecham

SmithKline Beecham is set to increase earnings by 15 per cent a year into the next century, ignoring currency effects. The group's antidepressant, Seroxat, should pass the £1bn sales mark in 1997; and the vaccines market, where SmithKline is world leader, is expected to double in size to \$6bn over four years. (\$3.6bn-\$4.3bn). Including SFr1bn of There are five medicines in latedebt, this values the group et e stage clinical trials and, having caught up on research and advertising spending, the management can focus on boosting cash flow. Only e handful of drug stocks, including fuel rapid earnings growth while Merck, Pfizer and Novartis, can match SmithKline's prospects.

If there is a niggle, it is that the group could tidy up its portfolio. Keeping the low-return clinical laboratories business can perhaps be justified, as it cements relationships with hig managed care groups. But old Beecham consumer businesses, such as Ribena, Lucozade and fit better with the likes of Procter & Gamble. Their sale would also raise a handy £1bn-£2bn towards an

This looks unlikely, however. Rising share prices and healthy volumes have taken the pressure off companies, slowing the drug industry's consolidation. Sir Richard Sykes, Glaxo Wellcome's chief executive and previously an advocate of buying market share through big deals, said yesterday he would concentrate on bolt-on purchases. In the absence of merger and acquisition activity, investors will continue to focus on sales growth and new products. On that score, Smith-Kline is up there with the best of its Merger bo

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UK investment banks have long suffered from e credibility problem. How can they compete with their grander US cousins without the advantage of such e large domestic market? A 29 per cent fall in profits, and paltry 8 per cent return on capital, provide an inauspicious backdrop for challenging this received wisdom. Yet BZW believes it can make sustainable, high profits and is investing to secure them. That is the real message behind its results.

Sceptice argue that Barclays, BZW's parent, is simply throwing good money after bad. But that counsel of despair is inappropriate There are huge swathes of profit-eble business to be done, especially in continental Europe and Asia. where US investment banks enjoy no compelling competitive advantage. And with continental Europe still in the early stages of corporate restructuring, some of the most lucrative business in the years ahead will be in BZW'e backyard.

This still leaves the question of whether BZW will be one of the winners. The auguries are positive. Mr Bill Harrison, the chief executive, has identified the priorities boosting the advisory, markets and equity origination businesses - and mede some strong hires, What remains is more difficult. If these costs are to start delivering returns, the individuals will heve to be welded into a team. And, critically, the bank's different arms will have to learn how to leverage effectively off each other.

Mr Martin Taylor, Barclays' chief executive, is right that not all costs are bad, nor all revenues good. But he cannot doubt that BZW will need to start producing revenues if his judgment is to be vindicated.

Additional Lex on buy-backs,

# Airbus to challenge in 747 market

**FT WEATHER GUIDE** 

Mr Santer's pledges went two-thirds majority, in spite of beyond the edministrative being signed by 70 MEPs.

By Michael Skapinker

replace the US manufacturer's 747 jets by developing its own planned "super jumbo" jet into

a family of aircraft Mr Jean Pierson, chief executive of the European consor-tium, said yesterday that the smallest model would carry fewer than 500 passengers and the largest more than 600.

Mr Pierson said the smaller version would be offered to airlines planning to replace their the US manufacturer's jets.

He stressed that Airbus had

no plans to produce a 400-sea-ter. Boeing would respond to any direct incursion into this

space of Germany, Britisb also likely to produce both larger and smaller versions.

He said Airbus had more

The A3XX would be aimed et backs," be said. Instead, Airbus would aim to supply slightly bigger, more modern aircraft that airlines could use

during the next century. The consortium was determined to press ahead with its proposed A3XX aircraft in spite of the decision last month by Boeing of the US to shelve its own 550-seat "super jumbo". However, Boeing's decision had removed some of the pressure on Airbus, which is owned by Aerospatiale of France, Deimler-Benz Aero-

90

Airbus Industrie is to compete market by cutting prices of the time to consult airlines and two types of airline. The first 747. "They will break our would probably not announce would e decision to go ahead with the

A3XX before the end of next year or the beginning of 1999. The A3XX is scheduled to go into service in 2003. Airbus was talking to several airlines, including British

Airways, Singapore Airlines, Japan Airlines and United Airlines of the US. Federal Express, the US freight company, was interested in e cargo version of the A3XX.

Mr Pierson said that, while the basic aircraft would carry 550 passengers, Airbus was

from carrying more passengers by congestion at their home airports. An example was British Airways, which is finding it difficult to increase capacity at London's Heathrow airport.

The second would be carriers needing to replace ageing Boeing 747-400s in the next decade. These airlines would be looking for jets slightly bigger than the Boeing 400-seaters. Mr Pierson indicated that the smaller version of the A3XX would have fewer than

#### **Europe today**

western Europe. In particular, the British Isles will have plenty of rain caused by a disturbanca west of Scotland. An associated frontal zona will bring rain to western France, the Benelux and Germany. It will be sunny over most of Spain and central Italy. Northern Italy will have a mixture of sun and cloud while the south will have showers. Greece will have rain with thunder showers. Rain is expected in Turkey. The southern

It will be wet and windy over north-

#### plenty of sunshine. Five-day forecast

maintained.

As the week progresses, high Mediterranean and Spain will axtend its influence toward centra Europe. This will bring improving conditions to the area. The British Isles will continue to have one disturbance after another as a westerly air stream is

Mediterranean will be dry with

**TODAY'S TEMPÉRATURES** 

	Maximum Celsius	Belling Belfast
Abu Dhabi	sun 26	Belgrade
Accra	fair 31	Bertin
Algiers	fair 16	Bermuda
Amsterdam	гаіл В	Bogota
Athens	thund 11	Bombay
Atlenta	fair 21	Brussels
B. Aires	tair 23	Budapest
e.hem	rain 10	C.hagen
Bangkok	fair 35	Catro
Barcelone	sun 14	Cape Tov

We wish you a pleasant flight.

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Faro
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Jersey
Karachi
Kuwait
Las Angeles
Las Palmas
Lisbon
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Madrid
Majorca
Mailta
Mancheste
Manilta
Melbourne
Medco Ct
Mitarni
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Naples
Nasseu
New York
Nico
Nicoste
Osio
Peris
Perth shower 7 sum -2 tair 27 rain 5 fair 31 rain 8 sum 27 sum 25 sum 25 sum 22 sum 27 sum 18 rain 16 fair 10

Vancouver Verlice Vierna Warsaw Washington Watington Winnipeg Zurich

Rangoon Raykjavik Rio Rome S. Frsoo Seoul Singapore Stockholm Strasbourg Sydney Tangler Tel Aviv Tokyo Toronto Vancouver

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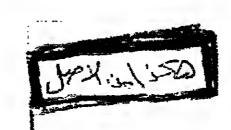
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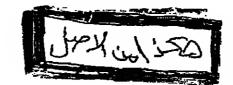
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# FINANCIAL TIMES. **COMPANIES & MARKETS**

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#### IN BRIEF

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Middle Committee Committee

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Market Cont.

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in danger

#### **Merger boosts** Swedish banks

Shares in Swedish banks soared as two of the country's biggest confirmed they were to merge and a series of results from the sector showed record profits in 1996. Swedbank announced it had agreed a merger with Föreningsbanken to form the country's second-largest banking group with combined total assets of SKr619bn (\$83.36bn). Page 16

Brahma posts 21% profits drop Heavy investment in new capacity led Brahma, the biggest brewer in Brazil, to announce a 21 per cent drop in annual net profits despite 8 modest increase in sales. Brahma said profits bad been held back by exceptional charges; including the R\$45m (\$42.9m) start-up cost for its Nova Rio brewery. Page 18

Mondadori shares fall after resignation The resignation of Mr Paolo Forlin from Mondadori, one of the main subsidiaries of the Fininvest empire of Mr Silvio Berlusconi, former prime minister, sent the shares of the Mondadori publishing group tumbling on the Milan stock exchange. Page 19

German banks' profits advance Two of Germany's biggest banks, Deutsche Bank and Bayerische Vereinsbank, reported sharp increases in operating profits for 1996, but Deutsche managed only a small rise in net income compared with Vereinsbank's stronger advance. Page 19

**Guff Canada wins control of Clyde** Gulf Canada Resources won control of Clyde Petroleum, the UK oil independent, by the narrowest margin the oil sector has seen for years after Mr Colin Phipps, Clyde's founder, and other former directors sold their stakes. Page 21

SmithKline Beecham up 14% Surging sales of new drugs, especially anti-depressants, helped SmithKline Beecham, the UK's second-largest drugs company to 8 14 per cent rise in pre-tax profits from £1.36bn to £1.55bn (\$2.51bn). But profits were hit hard by the strength of sterling last last year. Page 21

Ahmanson	1	MGAM	10
Airbus Industrie	12	Marriott Int	15
American Airlines	5, 8	Megaworld	20
Anheuser Busch	8		8
Avon Rubber	21	Molson	5
BA	18	Mondadori	19
BG	9	Morgan Stanley	18
B2W	22	NCC	19
Banço Itaú	18	News Corporation	8
Barclays	22	Nippon Credit Bank	20
Barciays Bank	12		8
Bayerische Landesbok	24	Nissan	20
Brahma	18	Nordbanken	18
Bre-X	18	Normandy Mining	20
British Airways	. 8	Occidental Petrojeum	8
Bull	18	Opel .	2
Capral	20		24
Carin Energy	8	Philipp Holzmann	19
Centrica	. 9		15
Chancellor	18	Renault	2
Chang Hwa Commercia	4 20	Royal Bank Scotland	18
Ciba 16	1, 15	Royal Dutch/Shell	8
Citroën	2	SE-Banken	18
Clyde Petroleum	21	Sanyo	20
CompuServe	18	Scanfa.	18
Conseco	16	Seven Network	20
Cooper Tire	21	Shaftesbury	24
Credit Lyonnals	16	Shenyin & Wanguo Sec	
DePfa Bank	24		19
Deutsche Babcock	15	SmithKline Beecham 21,	, 12
Deutsche Bank	18		10
Deutsche Post	2	State Street Boston	18
Doubletree		Sumitomo	8
Elf Aquitaine		Suzuki	2
European Invstmnt Bk	_	Svenska Handelsbank	18
Evergreen Media	18		16
First Commercial	20		8
Ford Werke	2	Talwan Co-op Bank	20
		T-tonom Move Zooland	20

18 Telecom New Zealand 12 Teleconica

United Meridian

20 Usinor Sacilor 20 Vereinsbank

Viacom

19 Vlasa

8 Vobis

WMX

2 World Bank

Foreign exchange

Menaged funds service

New inti band issues

Short-term int rates

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Market	Statistics

Föreningsbanker General Motors

Gulf Canada

Israel Dectric

Hanel

LTCB

Labatt

IBJ

30-31 FTSE Actuaries share Indices 32 &Annual reports service Benchmark Govt bonds Bond futures and options Gills prices Bond prices and yields Commodities prices widends announced, UK EMS currency rates Surobond prices Fixed Interest Indices FT/S&P-A World Indices 32 US interest rates

FT/ISMA Inti bond svc

#### Chief price changes yesterday

	FRANKFURT	PH						14.9
•	Rises				l'eduge	283	+	14,8
	BLAW Pref	822	+	12	Felic			
	Deutsche Bab	76.5	+	6	Accor	764	-	16
	Hamburg Bak	492	٠	12	Alcatel	588	_	
	ind Werles	382.5	+	8.5	CGP	1580	_	48
	i Theimelektra	1259	+	38	St Gobalo	824	Ξ.	17
	SAP AG	259.8	+	8.1	TOKYO (Yes)			-
	NEW YORK (	F)						
	Rices				Risos	855		45
	Converse	25 ×		24	Nippon Signal	933	•	~
	First Republic		+	314	Falls			
	Great W. Fin	44%		934	Asics Corp	238	_	19
	Hartson CMS	16%		21/2	Konica	721	-	32
	Renaiss Hotel	29%	+	41/2	Shlunizu	721	-	38
	Falls				Talcal	502	~	33
	BarciayS	71%	-	8	Yaohan Japan	377	~	35
	LONDON (Per				HONG KONG	n-mc#3		
	Picco				Rises	,,		
	Britannic	870	+	6614		18.2	_	0.2
	Pittaro	85	+	574	Hong Kong Tel	104	•	-
	Titon Hidgs.	123	+	18	Falts			1.4
	Falls	400	_	10	Dickson Cacpt	27.5	-	12
	Chelses Vige	155 422%			Dao Heng Brik	36.2	~	
	Macro 4	55%		20	Wing Hang Bok	33.7	-	
	VTR		-	20	Chine Mir Bus	89.5		1.0
	TORONTO (C	99			<b>Gt Eagle Hids</b>	29.6	~	0.9
	Getchell Gid	58.20		6.20	BANCKOK (B	44)		
	Onex Com	25.00		1.20	Rises			
	Pendades Pet	22.50		1.50	Post Publish	50.5	+	45
	Folia	22.30	•	1000	Precision Ent	22.0	+	2.0
	Bre-X Winerals	21.05	_	1.95	Their Teit	23.25		2.0
	Cognos	31.95		205			•	
	Spectral Diag	14.10		1.15	Falls			
		19.10	_	1.14	Charan los	45.0		5.0
	PARIS (FFY)				Newsal Fond	100.0		11.0
	Rises			27	Newakli kus	50.0	÷.	5.0
	Havas Advert	669	+	27	· Staril on			

Seoul opens door for conglomerates to rescue debt-ridden market

By John Burton in Secu

Koraa's biggest South conglomerates, or chaebol, will be allowed to enter the debtridden domestic life assurance sector in a state-sponsored attempt to rescue it.

There are 28 local companies, including joint ventures, operating in the sector. Some

By William Hall in Zurich

analysts believe yesterday's proposal may prove a blue-print for also solving the prob-lems of the banking industry, which is suffering from a huge burden of bad loans.

The chaebol were already allowed to operate non-life insurance companies. However they have been largely barred from life assurance and banking because of fears their involvement would increase their considerabla economic power as they gained access to new sources of financing.

dominated by six main companies, including Samsung, which is exempted from the

chaebol ban as it was operating in the market before the

The entry of tha chaebol from the second half of the year is expected to lead to a consolidation of the industry as medium-sized companies vanish through mergers and

tion as a result of commitproblems stem from deregulation of the market in 1987, with the entry of 27 new com-panies in the last decade. Most have had difficulty in challenging the dominance of the "big six" companies, which include Samsung, Korea, Kyobo, and Hungkuk, with a combined

The 15 new domestic companies had a combined loss of Won1,100bn (\$1.25bn) in the last fiscal year, while 12 foreign companies, including seven joint ventures, lost a total of Won340bn, according to the finance ministry.

market share of 73 per cent.

government has required life assurance companies to increase their capital

losses, with those that fail being ordered to suspend operations or being forcibly merged. In another attempt to restore

financial strength to the sector, the government bas tri-pled the minimum capital requirement for new busises to Won30bn.

But foreign companies will be allowed to open branches with Won3bn in capital. Companies taking stakes in

life assurance companies and the more profitable non-life insurance sector also face more stringent capital require-

#### **Deutsche** Babcock to shed 10,000 jobs over two years

By Peter Norman in Bonn

Deutsche Babcock, lossmaking German engineering group, yesterday warned it would shed about one in three of its 29,300 employees in the next two years.

Mr Klaus Lederer, who took over as chief executive at the beginning of this month, said that up to 10,000 jobs would go. About 5,300 employees would leave the group as a result of disposals, while more than 4,000 jobs would go under rationalisation measures. including soma dismissals.

The company announced in January a DM434m (\$257m) loss for the year to the end of September 1996. Yesterday, it reported that its loss in the first four months of its current year was cut "in lina with budget" from about DM250m last vear to DM150m.

Turnover edged ahead from DM1.8bn to DM1.9bn in the four months, while incoming orders ware virtually unchanged at DM2.8bn, leaving the order book stable at DM11.4bn compared with a

Mr Lederer said Deutsche Babcock planned to halve its loss in the year to September 30, and aimed to break even in 1997-1998. He promised drastic cuts in the group's management structure and a reduction from eight to three in its production divisions, which will leave Deutsche Babcock focusing on machine building, systems technologies and power plant and environmental technology.

Deutsche Babcock is reviewing non-core activities with annual sales of between DM800m and DMIbn to determine wbether they should be sold. Staff numbers have been cut from 32,300 last September to 29,300 at the end of last month.

Mr Lederer, an engineer, joined Deutsche Babcock after eading the European automotive activities of ITT Industries. He also worked for AEG Telefunken, the now-defunct electrical and electronics group, BMW, the carmaker, and Heidelberger Druckmaschinen, a manufacturer of printing machinery.

He replaced Mr Heyo Schmiedeknecht, chief execu-

# Korea tackles insurance losses

WINTERSTON

The ministry of finance and economy said it would allow Hyundai, LG and Daewoo to participate in the world's sixth biggest assurance market as long as they take over at least one of the 17 domestic assurance companies that are conidered technically insolvent.

The insuranca industry is

acquisitions. The government is also seeking to improve the industry's competitiveness before it is open to full foreign competi-

ments made to the Organisation for Economic Co-operation and Development, which Seoul joined last year. The industry's

# Novartis values Ciba Chemical spin-off at \$4bn

Ciba Specialty Chemicals yesterday put an indicative price on its forthcoming global offering which is expected to give the company a stock market value near SFr6bn (\$4.1bn). In one of the world's biggest spin-offs - from Novartis, the pharmacentical glant formed from last year's merger of Ciba

be priced at between SFr72 and SFr86 in the offering before the start of trading next month. The details, announced in Zurich and London, were welcomed by analysts yesterday. Mr Gilbert Puder of Bank Sarasin noted that the group's market capitalisation was low

and Sandoz - the shares will

SFr6.7bn. The transaction is the first tax-free demerger in Switzerland, and Mr Marco Illy, a managing director of Credit Suisse First Boston, one of Ciba's advisers, believes it could spark similar restructurings as other Swiss companies realise they can demerge with out incurring onerous tax lia-

If Novartis had distributed Ciba Specialty Chemicals stock to its shareholders, they would bills. To avoid this, the demerdeeply discounted one-for-one rights issue of 72m shares at SET10. If Novartis shareholders do not take up their shares

they can sell them to a banking syndicate that will sell them in the global offering.

Mr Rolf Meyer, Ciba's chairman who pioneered the taxfree scheme, said yesterday that demerging Ciba Specialty Chemicals from Novartis would sharpen the group's focus on shareholder value. He said Ciba was committed

to "further improving its operational excellence and profitability".

The group, which has not yet announced its 1996 results, expects a "marginal increase in operating profit before s SFr1.1bn restructuring charge. Some SFr202m covers additional environmental provisions, SFr340m covers separacompared with its 1996 sales of tion costs and SFr535m relates to a streamlining of the five divisions. A further SFr250m to SFr300m of restructuring costs will be taken in 1997.

It estimates that the restructuring will realise benefits of SFr80m in 1997 and SFr150m s year thereafter. After the restructuring Ciba will have SFr1bn of debt and more than SFr4bn of equity.

The spin-off, believed to be second in size only to Zeneca, Imperial Chemical Industry's have faced substantial tax former pharmaceuticals arm, is expected to create the ger had to be structured as a world's largest speciality chemicals company measured by stock market capitalisation.



Ringing in the new: the Chicago Board of Trade, the world's busiest futures exchange, began trading in its new \$182m building yesterday. Taking part in a bell-ringing ceremony to open trading were (from left) Tom Donovan, CBoT president, Chicago mayor Ricbard Daley, CBoT chairman Patrick Arbor and CBoT trading facility task force chairman David Brennan Pleture Router 1990.

# Viasa rescue faces collapse after state aid is refused

By Raymond Collit in Caracas

Attempts to rescue Viasa, the Venezuelan national airline, seemed close to collapse last

The state privatisation agency Fondo de Inversiones de Venezuela, which has a 40 per cent stake, ruled out putairline. Instead Mr Alberto Poletto, the agency's head, has recommended that Viasa whose principal shareholder is the Spanish airline Iberia - be shut down.

A final decision will be taken shortly by president Raf-

The airline, which ceased estimated loss of \$30m last year and has not made a profit

since Iberia took over the man- The Spanish airline bas agement and acquired a 45 per insisted it has done everything cent stake in 1991.

The Venezuelan Banco Provincial has 15 per cent. "The decision of the national government is very clear. We

are not going to capitalise Viasa. The company is very deteriorated and its liabilities ting any more money into the are very large," Mr Poletto said. "Under such circummake any kind of capital contribution."

An amisble liquidation agreement was being sought reached agreement in principle with Iberia to reduce the social at the end of last month to

flying on January 23, had an are estimated at \$20m. In Carfar beyond what was originally assume its share of the costs. total debt was \$120m.

possible to avoid Viasa's shut-

Mr William Bracho, a Viasa labour representative, said employees would seek to form another airline if Viasa went into liquidation. While the govarnment has

down.

shown interest in maintaining a flag carrier airline, Mr Teo stances it would be irresponsi-ble for the Venezuelan state to ter, said that it would not contribnta towards a new

company.

The FIV and Iberis had keep Viasa afloat, but recent impact of closure. keep Viasa afloat, but recent Potential redundancy costs audits revealed total liabilities acas Iberia said it would thought. Viasa had claimed its

# Marriott outbids rival with \$1bn deal for Renaissance

By Tracy Corrigan in New York

Marriott International, the US hotels group, is to pay \$1hn for Renaissance Hotel Group, outbidding a rival offer from

Doubletree. The agreed deal is the latest sign of consolidation within the international hotels business. It follows the launch last month by Hilton Hotels of a \$6.5bn hostile bid for IIT.

Mr J W. Marriott Jr, Marriott chairman, said the deal with Renaissance would "more than double our presence outside of the US".

Marriott had nearly 230,000 rooms globally but only 20,000 outside the US, according to ted to begin a tender offer for

Mr William J Shaw, who will all outstanding Renaissance take over as chief operating shares within five business officer of Marriott International in March.

Renaissance has about 30,000 rooms outside the US. including its Naw World hotels in the growing Asian market. It also owns the Renaissance chain of international business and leisure botels and Ramada, a midpriced brand outside north

America. New World Development Company, the Hong Kongbased real estate company which owns 53 per cent of the voting stock of Renaissance, At the end of last year, has accepted Marriott's offer of \$30 cash per share.

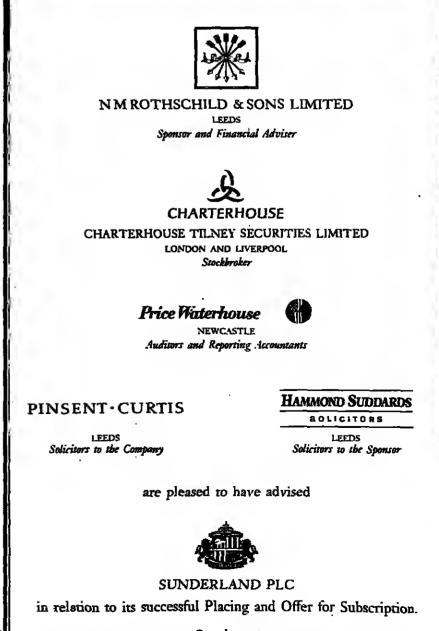
Marriott said that it expec-

days.

The deal supersedes a cashand-stock agreement between Renaissance and Doubletree last month that valued Renaissance shares at \$26.67 at Doubletree's then share price of \$43. Renaissance shareholders were to have received \$8 in cash and 0.4342 Doublatree shares per Renaissance share.

Doubletree said it would not pursue the acquisition. But under the the memorandum of understanding signed with Renaissance, it would receive s break-up fee of \$15m.

Marrintt aims to complete the acquisition by the second quarter of 1997.



This announcement appears as a matter of record only.

# Investors welcome Swedbank merger

Shares in Swedish banks dinaviska Enskilda Banken, sourced yesterday as two of reported record profits last the country's biggest confirmed they were to merge

Swedbank - known domestically as Sparbanken - said it had agreed to merge ers' confederation, to form last month. the country's second-largest banking group with com- executive of Nordbanken, capitalisation of more than

ken and Nordbanken. The shypotek, Sweden's leading ing, with 5m clients, joint cial services, the cost also achieved record profits, other leading bank, Skan-

Investors greeted the and results from the sector merger and the jump in showed record profits earnings with enthusiasm. They expect further profits strength and are betting that SE-Banken and Nordbanken will complete the restructurwith Foreningsbanken, con- ing round by resuming trolled by the Swedish farm- merger talks they broke off banken also raced ahead,

bined assets of SKr619bn said his door remained open end at SKr207.50. (\$83,36bn) and s joint market for discussions on a merger The two reported record is now held by Handelsban- market leader in most priearnings for 1996, as did ken, which led the way in vate retail banking services, rivals Svenska Handelsban- December by buying Stad- including deposits and lend-

mortgage lender.

showed the biggest gains yesterday, jumping 17 per cent from their close last week when trading resumed in mid-afternoon. By the close they were up SKr20 et SKr139.50. Föreningsbanken's most-traded A shares rose 12 per cent, closing up SKr4.70 at SKr48.20. Nordgaining SKr20 to close at Mr Hans Dahlborg, chief SKr255, whils Handelsbanken A shares rose SKr6.50 to

The newly merged bank that would create the biggest to be called ForeningsSpar-Swedish bank. That position banken - will be Sweden's

income of SKr21bn and pro-Shares in Swedbank forma operating profits in 1996 of SKr6.4bn. Its main customers will be privete individuals, farmers, small and medium-sized companies

> and municipalities. The merger will be completed by Sparbanken which is much bigger than its partner - exchanging two newly issued shares for every seven Föreningsbanken A shares and one new share for every three Föreningsbanken B shares. Also, Föreningsbanken will pay an extra dividend of SKr4 a 20 per cent rise in operating share to bolders of its income from SKr4.4bn in

A shares. merger was driven by mtensifying competition in finan-

of technological change and growing internationalisa-

The principal gain will come from projected synergy savings of at least SKrl.5bn a year – or SKr3 a share – from 2000 through a cut of at least 2,000 in their combined staff of 13,000. There is considerable overlap in their joint network of 1,100

Both banks come to the deal on the back of sharply improved performances last year. Swedbank reported a 1995 to SKr5.3bn, its best The two sides said the result since it was formed in 1992.

Föreningsbanken said it to SKr5.4bn.

with an increase in operating earnings from SKr1bn to SKrl.16bn. Both partners benefited from a big fall in loan losses and a big rise in

commission income. However, net interest income was flat because of low loan growth and narrowing margins between deposit and lending interest rates. The lack of market growth has been a factor behind the rationalisation.

Confirming the improved earnings trend, Handelsbanken said its operating profits rose 33 per cent in 1996 from SKr5bn in the previous year to SKr6.7bn, while Nordban-ken reported a 10 per cent increase from SKr4\_9bn



# Sharp fall at Usinor Sacilor

By David Owen in Paris

Usinor Sacilor, Europe's biggest steel maker, yester-day reported sharply rsduced annual income while indicating it expected to do better this year.

The French company, privstised less than two years ago, said net profits in 1996 slid two-thirds to FFr1.5bn (\$261m) from FFr4.4bn a year earlier. This was on turnover of FFr71.1bn. against Analysts said the figures FFr78.4bn in 1995. Net were somewhat better than income per share fell more expected and the shares rose than 70 per cent from FFr20.87 to FFr6.12.

the group to cut its dividend an analyst with Cholet-

to FFr3, which it said was the impression 1996 would be net profit.

In spita of its difficult year, the group - which said last week it was keen to invest in Corporación Siderúrgica (CSI), of Spain - cut net deht from FFr11bn to FFr6.5bn. Mr Francis Mer, chairman, said the results demonstrated the "capacity of resistance" the group had

Analysts said the figures FFr2.70, or 3.2 per cent, to FFr87.30 on a declining Paris The downturn prompted market. Mr Alain Kerfourn, from last year's FFr4 a share Dupont in Paris, said he had

equivalent to 49 per cent of the low point for the group's results. But he said his current 1997 projection of FFr2.5bn at the net income level was "not at all

The company said European demand for stainless steel and flat carbon products was starting to recover and that prices, although still low, were beginning to pick up, particularly for galvanised products.

Mr Mer indicated the recent revaluation of the dollar was also helping the com-pany. He described it as "a happy surprise" that should help to put some "butter on our spinach"

sions on the renewal of annual contracts had been "difficult", especially those with European carmakers. The group had been obliged to concede some price cuts. On CSL Mr Mer confirmed Usinor's interest and said that, if the Spanish govern-

ment confirmed its intention

to privatise, the group would

seek to "play a role" that

met both its end the Spanish

He acknowledged, bow-

ever, thet end-of-year discus-

company's interests. He also confirmed tha company was considering a possible change of nams. although this was a delicate subject that touched on the

Francis Mer: dollar devaluation 'butter on our spinach' whole history of the group.

> Europe from 14.3 per cent to utive, said ontput levels of the 4-series were now up to

EUROPEAN NEWS DIGEST

# Crédit Lyonnais sells Swedish unit

Credit Lyonnais, the French state-owned bank, yesterday announced the sale of Credit Lyonnais Bank Sverige, its Swedish retail operation, to Trygg Banken, the banking subsidiary of the insurance group Trygg Hansa. The move follows its sale of other retail banks and is part of the bank's strategy, ahead of privatisation, of refocusing its business outside France on wholesale banking.

During 1995, Crédit Lyonnais sold its retail operations in Argentina, Brazil, Chile, Peru and the Philippines, as well as CLBN in the Netherlands. Last year, it sold its banks in Tahiti and a regional bank in Haute Savoie in France. The bank stressed it would still provide services to large Swedish and international corporate customers through Credit Lyonnais Bankfilial, a subsidiary created in 1993, which also covers Norway and Finland. This would specialise in export financing and treasury management advice, the bank said. It said yesterday's sale would have no affect on the group's 1997 accounts, suggesting the Swedish unit was sold at near its accounting value. The price is believed to have been

about FFr90m (\$15.8m). Crédit Lyonnais Bank Sverige, created in 1986, employs 27 staff and reported total assets of FFr1.4bn at the end of last year, with banking income of FFr26m and net profit of FFrsm. Sales of other European subsidiaries of Credit Lyonnais are expected over the coming months as part of a restructuring and recapitalisation plan.

#### Vobis static despite sales rise

Vobis Microcomputer, the German computer retailer, yesterday announced that last year's pre-tax profit would probably be close to the DM50m (\$29.4m) reported for 1995, which itself was unchanged from the previous year. Turnover, however, increased from DM3.09bn in 1995 to DM3.3bn in 1996. The company, which is 58.5 per cent owned by the Metro retail and trading group, said it was the leading vendor of personal computers in Germany. Peter Norman, Bonn

#### Scottish bank sells Swiss arm

Royal Bank of Scotland has agreed in principle to sell its 100 per cent interest in its Swiss operation, The Royal Bank of Scotland AG, Zürich, which had assets of SFr 42m (\$28.7im) on September 30, to Banque de Depots. Switzerland, Royal Bank of Scotland said the impact of the transaction on future earnings and net assets would not be material. The sale is subject to contract and

#### Derivatives advice available

Educating corporate treasurers and company directors has become e top priority for the UK's Association of Corporate Treasurers as a result of the fast growth in derivatives usage by large companies. The association's latest publication comprises 14 case studies of treasury actions where the use of derivatives was a main factor. The ACT presents some innovative uses of derivatives, such as the elimination of the effects of differences in inflation rates between countries or the protection of pension funds during transitions – for example during a change in fund manager, Samer Iskandar, London Uses of Derivatives. £15 (£7.50 for students and ACT members). Association of Corporate Treasurers, Ocean House, 10/12 Little Trinity Lane, London EC4V 2AA.

# Scania earnings tumble in final quarter of 1996

By Hugh Carnegy

Scania, the Swedish heavy truckmaker. yesterday reported a plunge in profits duction in the last three months of truck. 1996. This is the second quarter in a row that profits have been even lower but for an fallen. It also warned it unexpected one-time gain of expected e significant fall in SKr400m from a favourable demand this year in Europe. its main market.

Pre-tax earnings tumbled in profits to just SKr40m in from SKr1.3bn in the fourth the third quarter and left

quarter of 1995 to SKr564m full-year pre-tax earnings by adverse currency movements and the continuing effect of delays in the introduction of its new 4-series

The figure would have tax settlement in Argentina. The result followed a fall

(\$75.95m) as Scania was hit down 44 per cent from SKr4.8bn in 1995 to SKr2.7bn. Earnings per share for the full year fell from SKr16.40 to SKr9.90. The sharp reverse has

caused some embarrassment as it followed shortly after berg family investment vehicle, floated a 55 per cent stake in Scania on the Stockholm and New York stock

Yesterday's prompted a SKr5 fall in Scania's most-traded B 15.5 per cent. share, to SKr191, hnt the price remained well above the SKr180 issue price.

Scania sales over the year were relatively stable. Turn- truck, which has now been over fell from SKr34.8bn to SKr33.7bn, but was up slightly excluding currency SKr650m - compared with The number of trucks and buses sold fell from 44,637 to 42,991. But SKr290m charge to cover Scania said it had increased

The company's main problems - aside from currency

shifts - arose from delays in the phasing of the 4-series completed. Changeover production expenses rose to projections of SKr500m and there was a further persoonel reductions.

capacity. But he said it would still taka some months to reach maximum productivity. Meanwhile, he warned that Scania expected

demand for heavy trucks in Europe to fall from 172,000 in 1995 to around 160,000 this year, a development which would put pressure on

Ciba Specialty Chemicals

All of these securities having been previously sold, this announcement appears as a matter of record only.

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December 1996

FF 477,000,000





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# Ciba paints upbeat picture

Presentations ahead of flotation stress group's promising future

f Ciba Specialty Chemicals were to be awarded marks for putting the best public relations spin on a corporate spin-off, then the way it is handling its emergence from Novartis, the combination of pharmaceuticals groups Ciba and Sandoz from last December, would score highly.

The Swiss company has been plodding along in the shadow of its pharmaceutical sisters within Ciba for years. Its sales have been stuck in the range of SFr6.5bn to SFr7.1bn (\$4.4bn-\$4.8hn) for the last four years. Net profits have hovered between SFr300m and

Yet until Clariant, another Swiss speciality chemicals manufacturer, took over Hoechst's speciality chemicals operation lsst December, Ciba was the world's biggest by sales, in a SFr100bn market.

Even now it is number two, and the world leader in areas ranging from additives to performance polymers and pigments. In textile dyes, its most traditional nusiness, it is number two. It employs more than 20,000 people and operates 58 manufacturing sites in 29 countries. But in spite of its undoubted commercial strength and famous name,

squandering too much money on investment. Nevertheless, yesterday the company was intent on stressing its promising for 1996, let alone given an future as it gave financial earnings and dividend fore-

its margins are below aver-

age, and it has a history of

London, in preparation for has also equipped itself with charge, so it will probably a colourful butterfly logo to report a net loss of around symbolise its "global reach,

business agility and environmental responsibility". Injecting a bit of glamour into a dull business like speciality chemicals requires a certain knack, especially when the three most profit-able parts of the business are about to report lower

Mr Rolf Meyer, Ciba chair-man, and Mr Hermann Vodicka, chief executive, both newly appointed from other roles within Ciba, rose to the

The Egyptian kings may bsva built ancient temples like Abu Simbel and the Romans built the Segovia aqueduct in Spain; but it is products like Ciba's Araldite that keep them glued together, they pointed out. But on more up-to-date financial information, Ciba's

It is taking a hisfty bined with the potential for SFr500m for 1996. Nevertheless, with SFrlbn

of debt and SFr4bn of equity, the balance sheet is in good shape. Analysts appear willing to bet that Mr Meyer can use it to enhance shareholder value, rather than the size of his company.

he current year will be clouded by further restructuring costs. But by 1998 these should be producing an extra SFr150m year of income. Analysts are talking about

net income of around SFr500m in 1998 and earnings per share of between SFr7 and SFr8. The company plans to pay out up to 25 per cent of its earnings. Based on an indicative price of around SFr80 for the global offering, that gives a

prospective price/earnings ratio of 10 times - cheap by comparison with Clariant, which is trading at around 15 times 1998 earnings. This factor, when com-

its flotation next month. It SFr1.1bn restructuring substantial margin improveincentivised managers. explains why Ciba's stock market debut should go well.

LERWOUT I

Park

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Ciba's top managers have to invest their entira first year's salary in Ciba stock. No one, least of all they, has any interest in the shares being launched at an unsus-

Moreover, the timing could not be better. The strength of the Swiss franc, which has dented earnings over the last few years, has svaporated. This will do wonders for a company with 28 per cent of its costs in Swiss francs and more than 90 per cent of its sales in

Meanwhile, Mr Meyer and his team have done a good job convincing analysts they can run Ciha Specialty Chemicals much better than it has ever been run before. As one veteran analyst put ityesterday: "If they cannot deliver the goods now, when can they do it?"

William Hall

# Bull sees state holding falling below 20%

By David Owen

Groupe Bull, the French computer company, yesterdsy reported its second conholding could fall below 20 per cent by the year-end. It indicated it was keen to

improve the liquidity of its shares by lifting the proportion publicly traded to 15 per was to sell at least 5 per cent cent from 3.4 per cent at of Bull's capital, taking pubpresent. Mr Jean-Marie Des- lic-sector ownership to below carpentries, chairman, said 50 per cent. Other large this could be achieved either shareholders include NEC of recurring loss of FFr661m

state's remaining stake, an rola, each with 18.7 per cent. of personal computer proincrease in capital, or a combination of the two. The state's bolding stands

at 30.5 per cent, with a fursecutive annual profit, while ther 18.7 per cent held by indicating the French state's France Telecom, the stateowned telscoms operator expected to be partially privstised this year.

It was only last November that the government said it

of the computer group, via last year. The group said the the entry in two stages of a PC business generated posinumber of industrial shareholders as investors, is being second half. held up by some ministers as a possible model for future privatisations.

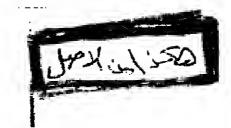
Propelled by a buoyant second half, the group yesachieved in 1995.

This was in spite of a non- net income in 1997.

The gradual privatisation duction in the first half of tive operating results in the

Rsvenue slipped from FFr24.53hn to FFr24.05bn while operating profit fell from FFr849m to FFr780m. Return on capital employed terday reported net profits of edged down from 9.8 per cent FFr376m (\$65.57m) - up 23 to 9.4 per cent. The company per cent from the FFr306m said it was aiming for a fur--said it was aiming for a further strong improvement in

The shares climbed more by the sale of part of tha Japan and US-bssed Moto- linked to the restructuring than 10 per cent to FFr45.20.



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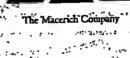


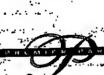




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Crédit Lyonnais sells Swedish uni

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AMERICAS NEWS DIGEST

Conseco ahead of

forecasts for year

Conseco, the acquisitive Indiana-based life assurance holding company which has bought 22 life companies in

Total profits for the year were \$252.4m, up from \$220.4m

in 1995. For the final quarter they were \$77.9m, including

an extraordinary \$7.9m charge for the early retirement of

debt, up from \$52.6m in the equivalent quarter of 1995, when the company benefited from the \$12.2m sale of its

investment in Eagle Credit. The operating earnings per

Mr Stephen Hilbert, chief executive, made a bullish

presentation, predicting that the company was on track to

equal or exceed analysts' forecasts for earnings per share

He is expecting to cut annual overhead expenses by at

USAir will not buy BA's stake

USAir declined to comment on whether it decided against

buying the shares or was restricted by a Delaware Capital

transactions or a public offering, it is restricted from selling the sbares in one lump. Under an agreement with

USAir, BA cannot sell its stake to any entity that would

gain more than 5 per cent of USAir's stock. BA said in

USAir at a premium to its original investment of \$400m.

Three of BA's directors resigned from the USAir board in

BA and USAir began feuding publicly last summer after BA proposed a broad alliance with AMR's American

December it planned to sell its 24.6 per cent stake in

January as the two carriers continued to dismantle a

Airlines. USAir sued BA in July, alleging the proposed

between USAir and BA. USAir also contends that the

proposed deal would allow BA and American to

monopolise air travel between the US and Britain.

Banco Itaú posts 57% rise

BA-American deal undermined the existing relationship

Banco Itaú, Brazil's second-biggest bank, provided further evidence of the improved fortunes of the largest banks in

Brazil when it announced yesterday a 57 per cent increase in net profits in 1996. Net profits rose from R\$384m to

R\$602m (US\$574m), while shareholders' equity advanced

16 per cent from R\$3.46bn to R\$4.02bn. Itau said its return

on equity was 15 per cent last year. The figures follow strong profits earlier this month from Bradesco, the

The bank did not disclose the reasons for the rise in

had been the increase in bome loans, while its new

profits but said that the highlight of its lending husiness

Argentinian operation now had 18 branches. The number

of current accounts at the bank rose 9.4 per cent to 3.9m.

Itau said its financial strength was shown by its capital

turbulent relationship that began in 1993.

USAir said it would not exercise its right to buy back

British Airways' 24.6 per cent stake in the US carrier.

British Airways said it still planned to sell the stake.

Surplus law which limits share repurchases unless a

While BA is now free to sell its stake in private

company meets certain capital surplus requirements.

John Authers, New York

least \$80m, as part of Conseco's strategy of buying life

share figure for the quarter was 54 cents, 2 cents ahead of consensus expectation. The stock gained on the news, but

the past decade, announced results for 1996 ahead of

analysts' expectations yesterday, but suffered a sharp

drop in its share price as profit-takers moved in.

then fell, and at noon were down \$1% at \$40%.

assurance companies and consolidating their

of between \$2.50 and \$2.75 for this year.

administrative operations.

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of the Shareholders of Fidelity Frontier Fund Sicav ("the Company") will be held at the registered office of the Company in Luxembourg on February 28, 1997 at 11.00 a.m., or on any adjourned date, to consider the following agenda:

1. To resolve to fiquidate Fidelity Frontier Fund.

2. To appoint Fidelity Investments Luxembourg SA as the Liquidator and to determine the powers to be granted to the Liquidator and the liquidation procedure.

3. To fix the date of the second shareholders Meeting to hear the report of the Liquidator

and to appoint Coopers & Lybrand as the Auditors of the Company. 4. To fix the date of the third meeting of shareholders to hear the report of the auditor and to decide the close of the liquidation of the Company.

In order to deliberate validly on item 1 of the agenda, at least 50% of the shares issued must be represented at the Meeting, and a decision in favour of the resolution must be approved by shareholders holding at least 2/3 of the shares represented at the Meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any Meering by proxy.

Dated: November 28, 1996 By Order of the Board of Directors





Compagnie Générale des Établissements Michelin

FRF 3,500,000,000 2.50 per cent convertible bonds due 2001 NOTICE OF EARLY REDEMPTION

Pursuant to Article 2.2.6 of the Terms and Conditions of the convertible bonds, the Company has decided to redeem all of the ourstanding bonds on March 21, 1997. As at February 12, 1997, the conversion rate was 1.01 B share for each bond with a nominal value of FRF 255, the closing price of a B share FRF 336 and the aggregate nominal value of the outstanding bonds FRF 3 494 605 935.

The bonds will be redeemed on March 21, 1997 at 1997 274.80, to which is added FRF 2.97 equal to the accrued interest and the gross yields for the period running from January 2, through March 20, 1997 inclusively payable together with the repayment price, i.e. a total amount of FRP 277.77 per bond of FRP 2.35 nominal value.

Bondholders are reminded that each bond may be converted into B shares of the Company up to and including June 20, 1997, at the rate of 1.01 B share for one bond. The new B shares will rank for dividend as and from January 1, 1997.

This nonice will be published in the French Journal Officiel of February 23: 1997

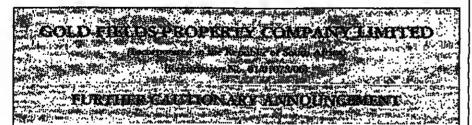
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Source: BBS 1995 and Chief Exocutives in Europe 1995 FT Surveys



Shareholders are referred to the cautionary announcement dated 29 January 1997 and are advised rhat caution should continue to be exercised in dealings in the shares of the company.

**Johannesburg** 



19 February 1997

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## COMPANIES AND FINANCE: THE AMERICAS

# Brahma falls 21% despite higher sales

By Geoff Dyer in São Paulo

Heavy investment in new capacity led Brahma, the biggest brewer in Brazil, to announce a 21 per cent drop in annual net profits despite a modest increase in sales.

Brahma said profits had been held back by exceptional charges, including the R\$45m (US\$42.9m) start-up cost for its the Nova Rio brewery, the largest in Latin America, and hy a 25 per cent rise in the price of malt. Consolidated net profits in

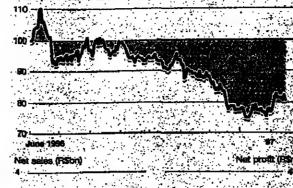
constant money were R\$217.1m, against R\$273.3m. Under the figures required by Brazilian corporate law, which do not take into account changes in inflation and exchange rates, net profits fell from R\$257.4m to R\$170.6m. The Brazilian government

requires companies to publish the unadjusted figures as part of its anti-inflationary strategy of removing automatic indexation from the economy. The profit fig-ures do not include a one-off gain of R\$154.3m resulting from a change in the group's capital structure.

Tnrnover in constant money rose 5 per cent from R\$4.82bn to R\$5.07bn in 1996, while under company law figures for sales were R\$4.92bn against R\$4.03bn. The rise in turnover was

helped by an 18 per cent increase in the sales of soft drinks, particularly the new brand of Guarana, which was introduced last year. Sales also grew strongly in

Brahma: profits in the pipeline Share price relative to the Bovespa Index



just two years after starting its operation there.

Last October the group drink brands in the Argentine market. However, Brahma said

unusually poor weather over the year, with 60 per cent of rain or low temperatures.

Through its partnership with Miller Brewing, of the US, Brahma introduced US. Brahma introduced back shares. Earnings per Miller Draft beer to the Bra-1,000 shares jumped 27 per zilian market last year. It also concluded an agreement

share of the beer market, Brazil, and acquired the rights for Skol beer for the whole of Latin America. Brahma said it was opti-

mistic about the prospects for 1997 as a result of the new capacity it had available. In addition to the Nova sales had been affected by Rio plant, which can produce 13.8m hectolitres of beer a year, the company weekends suffering from has new breweries in Ser-

gipe and Rio Grande do Sul. The company said it would continue its policy of buying cent from R\$39.70 to R\$50.80. and the recommended divi-Argentina, where Brahma with Carlsberg, of Denmark, dend per 1,000 sbares said it now had a 14 per cent to produce Carlsberg beer in is R\$10.90.

# Viacom to sell radio stations in \$1bn deal

By Christopher Parkes in Los Angeles

Viacom, the US entertainment and media group, is to sell its radio stations for \$1bn in a three-cornered deal which will create the largest company in the US.

The 10 Viacom stations, all concentrated in the nation's ventue of more than

The agreement to form Chancellor - a combination of three-year-old Chancellor Broadcasting and Evergreen Media, a nine-year-old concern - was forged by Hicks, Muse, Tate & Furst, a Dallas-based leveraged buy-out specialist.

The stock-swap merger was expected to be tax-free and completed in the third quarter of this year, the companles said, and would be by last year's \$3.9bn pur- from four to eight.

followed by the cash pur-chase of the Viacom husi-Viscom, which has been

under pressure from Wall Street to strengthen its balance sheet and which had been expected to dispose of "pure" radio broadcasting its radio stations, said it would use the proceeds to reduce group debt.

Mr Sumner Redstone, Vialargest urban markets, will com chairman and chlef in early 1994, made its first be absorbed into a new executive, said the sale was group, Chancellor Media an important step towards a bought 19 stations from a Corporation, which will own stronger balance sheet and a Disney family concern for 103 stations and have annual sharper focus on core \$395m. Earlier in the same

The group, which owns the Paramount film studio and leading cable television networks such as MTV and Showtime, is currently restructuring Blockbuster, an international video rental and retail business, which had become bogged down in the slow-growth US market.

The price for yesterday's deal, which feli in the expected range, reflected the keen interest in radio, highlighted

tric of Infinity Broadcasting's 44 stations. That deal, central to Westingbouse's plan to convert into an entertainment concern under the CBS umbrella; boosted its station total to almost 80 and annual radio

revenues to about \$1bn. Chancellor Broadcasting, which started its purchases big buy in mid-1995 when it for 12 stations owned by Pyr-

amid Communications. Evergreen currently owns or is in the process of acquiring 42 stations in 11 markets,

while Chancelior has 51. The catalyst for the consolidation of the fragmented radio industry was deregulatory legislation, enacted in early 1995, which raised the limit on the number of radio stations a single owner could operate in a single market

# Fiedorek to be Morgan Stanley vice-chairman

Morgan Stanley, the US investment bank which this month agreed to merge with brokerage Dean Witter, has appointed Mr Bruce Fiedorek to a new senior position of vice-chairman.

Mr Fiedorek, who has been running the company's mergers and acquisitions business, will be responsible for some of its most important client relationships in his new role, and will continue to be actively involved in the development and execution of Morgan Stanley's mergers and acquisitions business, according to the company. He will work closely with Mr Dick Fisher, chairman, and

move was related to a management restructuring last month, which split the business into two main areas. securities and asset management. These businesses will be run by Mr Peter Karcbes and Mr James Allwin respec-

tively, also in newly-created

positions At the time, Mr Mack said a new structure was needed to reflect the growing size and complexity of the company. But the creation of a number of senior positions within the group, just ahead of the merger with Dean Witter, may also suggest that Morgan Stanley's top executives are jockeying for

In the earlier resbuffle,

Morgan Stanley said the Joseph Perella, was promoted to head of investment banking, effectively leapfrogging Mr Fiedorek.

Mr Perella founded M&A boutique Wasserstein Perella Boston colleague Mr Bruce Wasserstein. He joined Morgan Stanley in 1993. Replacing Mr Fiedorek, Mr

Bill Lewis and Mr Gary Parr bave been appointed coheads of the M&A business and will report to Mr Perella. In another change, Mr Peter Karches has appointed Mr Steve Newhouse as his deputy, to help him run the securities business. Mr Bill Kourakos will take over Mr Newhouse's position as head of global high yield capital

adequacy ratio of 20.9 per cent. Geoff Dijer, São Paulo

country's biggest bank.

WMX chief executive resigns Mr Phillip Rooney, chief executive officer and president of US waste management company WMX, has resigned, citing frustration with 'public debate over the leadership of the company". Mr Dean Buntrock, chairman, will serve

as acting chief executive.

Mr Rooney said be had listened carefully to shareholders who believe WMX must carry out its current programme to focus on its core waste management business. An investment fund controlled by financie George Soros last week called for Mr Rooney to leave. The Soros group and other large shareholders of WMX bave been pressing the company for months to improve its

performance and make changes. "I am not prepared to let personal attacks distract this company from this important mission." Mr Rooney said. He added that be strongly believed in the restructuring plan announced earlier this month, which includes plans to sell \$1.5bn of assets over the next two years, and

repurchase 10 per cent of company's stock. Mr Rooney had been chief executive of WMX, the largest US garbage bauling company, since June 1996. He had previously been chief operating officer from 1984 AP-DJ, New York

**Bre-X** shares slip

Shares of Bre-X, the Calgary-based exploration company that has agreed a joint venture with Freeport-McMoran Copper and Gold to develop its Busang gold deposit in Indonesia, lost C\$2.30 at midday in Toronto yesterday to C\$20.70. According to one analyst, the selling came mainly from US arbitrageurs whose hopes of a quick profit from a hidding war had evaporated. However, he said the price would be supported by anticipation of a later bid for Bre-X. Meanwhile, shares in the Indonesian state-controlled tin miner Tambang Timah closed down more than 8 per cent in Jakarta following official confirmation from the Indonesian authorities that the company would not be included in development of the huge Busang gold find in east Kalimantan. Bernard Simon and agencies, Toronto

Massey quits CompuServe post

CompuServe, the US computer group, said Mr Robert Massey has resigned as president and chief executive officer. His duties will be assumed on an interim basis by Mr Frank Salizzoni, chairman, who is also president and chief executive of H&R Block which owns about 80 per Mr Salizzoni said: "Our goal remains a speedy and

sustained turnaround at CompuServe, and under Bob's leadership, the company has made progress in that

A search is under way for a replacement for Mr Massey, according to Mr Salizzoni. Until then, Mr Salizzoni will divide his time between CompuServe and H&R Block.

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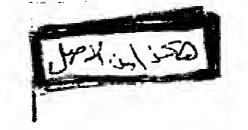
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PERSONAL PUBLIC SPEAKING

# German banks' profits advance

By Andrew Fisher in Frankfurt

Conseco ahead of

forecasts for year

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**● 対象でなった** 

Two of Germany's biggest banks, Deutsche Bank and Bayerische Vareinshank. yesterday reported sharp increases in operating profits for 1996, but Deutsche managed only a small rise in net income compared with Varainsbank's stronger advance.

Analysts said the discrepancy mainly reflected Deutsche Bank's problems with ita UK fund management

(MGAM), which have a the dividend to DM1.60 a ures analysts said MGAM's resulted in large compensation. While Deutsche Bank's hairman, also said 1997 had ures analysts said MGAM's difficulties weighed down net profits. The bank paid net income was only 5 per cent higher at DM2.2bn (\$1.29bn), Vereinsbank managed a jump of some 30 per cent from the 1995 level of DM657m, although it gave no

Vereinsbank, which produced an unprecedently comprehensive set of figures at this early stage in the reporting season, said its operating profits after risk provisions were 18 per cent operation, Deutsche Morgan higher at DM1.6hn. It Grenfell Asset Management announced a 10 pfennig rise

egun well. Deutsche Bank, Germany's

ggest bank, said its operatng profits moved up 37 per ent to DM5.8bn. Total ssets rose 23 per cent to M886bn, mainly reflecting be greater volume of finanial trading related to investpent banking. Loan volume as 8 per cent higher at M410bn, with customer eposits up by 25 per cent DM375bn

Although Deutsche Bank id not elaborate on its fig-

£180m (\$290m) to support three MGAM unit trusts which ran Into valuation problems after unauthorised investments in unlisted companies. Deutsche Bank also paid out £200m in compensa-

tion to investors. Since Deutsche Bank's operating profits were above expectations, its ahares gained 62 pfennigs to close at DM85.10 in floor trading. Vereinabank sbares, however, eased 47 pfennigs to DM63.50. Commerzbank has

figures, with Bayerische Hypotbekan- und Wechsel-Bank and Dresdner Bank also reporting this week. At Vereinahank, Mr

Schmidt said performance which accelerated in the fourth quarter - reflected a 7 per cent rise in net interest income to DM4.8bn, a more pronounced 14 per cent jump in commission income to DM1.2bn and trading income of DM250m which was just short of the 1995 figure.

The bank also curbed tts costs, which have risen considerably in recent years.

#### Telefónica shares steady at Pta3,365

By Tom Burns

Telefónica shares hald ateady in high turnover yesterday on their first day of trading on Madrid's Bolsa after tha privatisation of the telecoms company.

The ahares closed at Pta2.365, alightly np from Monday's close of Pta3,360 which was also the issue price to international institutions.

After discounts to the retail tranche, to employees and to the company pension fund, the disposal of the government's remaining 21 par cent atake in the telecoms operator is thought to have raised some Pta627bn (\$4.36bn) and generated coats in commission fees and advertising of Pta20.6bn.

The sale - the first market privattsation of a large panish company and by far the higgest disposal of government equity - has turned Telefónica into the pre-eminent stock on the domestic equity market, representing 11.4 per cent of the Bolsa's capitalisation.

Telefdnica is now estimated to have more than 1m individual shareholders, nearly donble the number it had before the privatisation. and at least five times more than any other company listed on the Bolsa.

Strong demand in the retail tranche, which was nearly 10 oversubscribed, allowed Telefónica to spread its shareholder base widely, but also very thinly, leaving a great deal of small domestic investor interest unsatisfied.

A last-minute decision to lift tha retail tranche, which carried an issne price of Pta3,239, from 60 per cent to 67 per cent of the initial offering meant that the company was able to award all the 1.2m Spaniards who had applied for the stock at too public. Regent Itself least 100 shares.

All bids in excess of 100 shares were allocated 1.9 per cent of the excess shares ordered.

Tha unsatisfied demand angurs well for forthcoming an aggressive fund manager Spanish privatisations which, following the success and would not appear inclined to back off. But it of tha Telefonica disposal. are expected to be similarly market. antagonise so powerful a

The government is scheduled to sell the remaining 10 per cent it owns of Repsol, the energy group, in April. It also plans to sell about 25 per cent of Endesa, the power generator, towards the end of the year.

INTERNATIONAL NEWS DIGEST

# NCC in SKr2.5bn paper bid for Siab

Swedish group NCC yesterday launched a SKr2.5bn (\$337m) bid for Siab in a deal which would create a construction and property company with turnover of SKr33hn a year. The offer, of four new NCC shares for seven of Siab's, represents a 28 per cent premium on the Siah average share price between February 3 and

Siab's board has recommended that shareholders accept the offer. The two largest shareholders, which together control more than 70 per cent of the equity, are the Lundberg companies and Swedish bank Sparbanken a

funds group. Both have reacted positively to the btd. The merger will create a company with 23,000 employees and real estate holdings worth some SKr17bn Recommending acceptance of the offer, Mr Fredrik Lundberg. Siab board chairman, said: "The merger is good for Siab shareholders and workers." The companies said synergy factors would add SKr200m-SKr300m a year to earnings, and were expected to feed through from 1998, after an estimated SKr300m in merger costs in 1997.

Yesterday's offer from NCC is part of a refocusing on real estate and construction which started with its creation in 1991 through the merger of NCC and AP-DJ, Stockholm Nordstjernan.

#### Philipp Holzmann upbeat

Philipp Holzmann, Germany's largest construction company, yesterday said it axpected lossmaking units to return to profit by 1998 at the latest, after registering a sharply improved performance at group level last year. Holzmann broke even in 1996 after a reporting a surprise DM443m (\$261m) loss a year earlier, mainly due to property market problems.

Preliminary figures for 1996 showed construction output was flat at about DM14bn, while foreign demand belped lift new orders 13.7 per cent from DM14.5bn to DM16.5bn. Foreign orders contributed 37 per cent to the total, up from 32.6 per cent previously. Order backlog totalled DM15.9bn at the year-end, up 20.8 per cent.

Holzmann said it expected a decline in European output this year and that it would continue to expand "moderately" in the US and Asia. It added that it would continue with its radical restructuring programme this year, aimed at reducing debts and improving profitability. As part of the restructuring, the group has said it planned to shed about 10 per cent of its 23,000-strong domestic workforce in 1997. Holzmann is also disposing of most of Sarah Althous, Frankfurt its property assets.

#### **US bank in Hungary venture**

The fund management arm of State Street Boston, the US banking group, and Prague-based Emerging Europe Asset Management yesterday unveiled a joint venture to make and manage direct investments in undervalued companies in the region for western institutional investors and high net worth individuals.

The venture, known as European Direct Capital Management, will provide backing for existing management at target companies in the region, delisting them from local exchanges, and restructuring them with a view to a later relisting.

Investments will be mainly in the non-financial sector, according to Mr Nigel Williams, EDCM chief executive. The venture has initial capital of \$10m and is 60 per cent owned by State Street Global Advisors.

Vincent Boland, Prague

#### Bidding opens in Hanal sale

The Israeli government yesterday opened hidding for its 99.9 per cent holding in National Oil Co (Hanal). It said offers would be accepted until April 1, after which it would examine them based on the hidders' ability to manage and develop the company, financial viability and other criteria.

The sale comes after the ministerial privatisation committee gave approval in principle to the Hanal sale three months ago. Hanal holds oil and gas exploration rights in Israel and overseas, It has an interest in publicly-traded Hanal Dead Sea; exploration rights in the area of the Israeli port of Ashdod; gas wells; and drilling rights offshore from Congo and in the US.

# Playing Russian roulette with Gazprom

Hong Kong investment group tiggers legal battle over share price differential

oreigners can expect to pay five times more than local Russian visitors to look round St Basil's Cathedral in Moscow's Red Square. The same principle applies to many aspects of Russian life. including, it seems, the country's rapidly developing capital markets.

Bnt an attampt by Gazprom, Russia's giant gas monopoly, to maintain differential pricing in its shares is provoking a controversy in Moscow.

Gazprom is in the extraordinary position of trying to force one of its most enthusiastic shareholders. Regent Pacific Group, the Hong Kong-based investment group, to dump some of its shares in the company

Mr Rem Vyakhirev, Gazprom chairman, wrote to Regent this week urging it to liquidata its Regent Gaz Investment Company, which has attracted \$200m of foreign capital specifically to invest in Gazprom's domestic shares, describing it as a "threat to national security". Regent has made no public response to the letter.

Gazprom's lawyers are said to be working overtime on legal arguments to stop Regent. But western bankers say that even if they are successful, the legal case employed may be too narrow and specific to deter others seeking ways to exploit the price differential. "Whatever as a precedent to deter . - largely because the comwith one US bank.

The dispute arises from the placement last October of 1.15 per cent of Gazprom's equity with international investors. The shares, which were bundled into readilytradeable American Deposi-

February 19, 1997

NOTICE OF APPOINTMENT OF PAYING AGENT

BETA FINANCE CORPORATION

PTE 1,000,000,000 0.5 per cent. Fixed Rate Notes due 6 July 1998

NOTICE IS HEREBY GIVEN that pursuant to Condition 8(a) of the Terms and Conditions of the Notes (the "Conditions"), the issuer, with the approval of the Fiscal Agent, has appointed Banto Santander de Necoglos Portugel (the "Sub-paying Agent") whose head office is located at Av. Eng. Duarte Pacheco, Amorehas, Torro 1-6", 1070 Lisbon, Portugal to be a Paying Agent in respect of the Notes. The appointment will be effective from 24 March 1997.

All expressions defined in the Conditions shall have the same meaning when used in this Notice.

CITICORP

ark, N.A. (Corporate Agency and Trust), Agent Bank CITIBANG

U.S. \$250,000,000

Subordinated Floating Rate Notes Due August 2003

Notice is hereby given that the Rate of Interest for the period February. 19, 1997 to May 19, 1997 has been fixed at 5.5% and that the interest poyable on the relevant Interest Poyment Date May 19, 1997, against Coupon No. 16 will be US\$67.99 in respect of US\$5,000 nominal of the Notes and US\$1,359.72 in respect of US\$100,000 nominal of the Notes and US\$1,359.72 in respect of US\$100,000 nominal of the Notes and US\$1,359.72 in respect of US\$100,000 nominal of the Notes and US\$1.

Polling and Pollsters - can we trust them?

QEII Centre, Westminster, Tuesday 4 March

A conference organised by

THE House magazine

in association with BBC's ON THE RECORD

Chairmen:

David Jurdan, Editor, ON THE RECORD

and Peter Snow, BBC

Speakers include:

Bob Worcester MORI, Nick Sparrow ICM, Peter

Riddeli The Times, Peter Kellner Political

Commantator, Bill Bush BBC Political Unit, Colin

Rallings and Michael Thrasher Plymouth Univarsity,

Patrick Jay IG Index, Simon Clare Ladbrokas,

Professor Ivnr Crewe University of Essex

Tickets: 1 delegate: £275+VAT; 2 delegates

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For furthar information, please contact Clare Gordon

at The House Magazine on 0171 233 1388 or fax a

booking request through on 0171 976 0423

£450+VAT; 3 delegates: £600+VAT.



Rem Vyakhirev, Gazprom challen, is urging Regent Pacific to liquidate the company set up to buy domestic shares

domestically-traded equity. Given the offering's novelty value, the shares were quickly snapped up.

Morgan Stanley and Dresdner Kleinwort Benson, the investment banks managing the Gazprom issue, argued that international investors were paying a premium for liquidity, security and more favourable tax treatment.

There was an extremely illiquid market for Gazsolution is found must serve prom's shares within Russia others," said an executive pany can veto any share purchases - and tax obligations were more onerous.

With one-third of the rink from Gazprom permit- holder, you want the same. world's known gas reserves, Gazprom was also deemed one of Russla's strategic assets and was restricted to y the company - that Gazselling 9 per cent of its rom managers themselves would be that, if too many tary Receipts, were priced at shares to foreigners. So a lave been among the benefi- foreign investors thought four times, the price of strict line had to be drawn

Bata Finance Corporation

omestic shareholders. Nevertheless, some aggres-

ve western fund managers ve been buying, domestic nares in the hope of exploitng the theoretical arbitrage sibilities in future - even hough Gazprom has warned heir shares may never be eistered.

foscow-based investment it is clearly in everyone's anks, have been establish. interests for the local shares by Russian-registered com- to go up rather than ADRs anles to buy domestic to come down. If you are hares on behalf of foreign Gazprom management, you lients and claim to have want the local price to go up. eceived the nod and the If you are a domestic shareing them to do so.

There are also rumours in tainly do not want to lose loscow - furiously denied money on their investment."

etween international and trage play. There would certainly appear to be a tacit coalition of interests between the company and these foreign investora, given the lack of domestic liquidity.

"Over time the differential between the two shares will have to narrow. The arhitrage is simply too great," It is an open secret that says one market analyst. But And the ADR investors cer-

the biggest portfolio inves-The danger for Gazprom tors in Russia. iaries of the potential arbi- they could safely switch

#### John Thornhill Israel

company as Gazprom, espe-

cially when you are one of

from the ADRs into the

underlying domestic shares,

the price of the international

sbares would fall, complica-

ting subsequent share sales.

In this sense, Regent's mis-

take may have been that its

fund was simply too hig and

claims it discussed its plans

with Gazprom before launch-

ing its fund although the

company denies it approved

Regent has a reputation as

may have little option.

the scheme.

Electric to **float 20%** of equity

By Judy Dempsey

Israel Electric Corporation. the state-owned utility, plans to float 20 per cent of its equity to finance invest-

Mr Gad Ya'acohi, chairman, said yesterday the offering to local and international markets would be tha first step towards the break-up of one of Israel's largest monopolles.

The trade unions, however, which have accrued generous benefits and privileges, would atrongly resist any privatisation plans. The offering, expected to

raise \$1bn, follows IEC's decision in December in become the first Israeli company to tap the international debt market, when it raised \$600m in bonds.

The bond issue was oversubscribed. It attracted a group of Japanese investors wbo snapped up \$150m of the honds signalling the start of Japanese interest in Israeli offerings. The success of that offar-

ing bas encouraged IEC to consider returning to tha debt markets in the second half of this year. Mr Ya'acohi said the company would raise between \$400m and \$600m, again to finance its \$8bn eight-year investment programme. IEC's revenues were \$2.2bn

in 1995 and have grown at more than 7 seven per cent a yeer in recent years, as demand for electricity rises at 8 per cent a year.

Trading on the Tel Aviv Stock Exchange is too small to raise the amounts IEC requires. The company has also reached its ceiling in borrowing from Israeli

#### TECHNIP 1996: 21.3% GROWTH IN NET EARNINGS

The Board of Directors of TECHNIP met on 13 February 1997 under the chairmanship of Mr Pierre VAILLAUD, and reviewed the Group's preliminary consolidated results for 1996.

Consolidated results (in millions of French francs)	1996	Increase over 1995
Turnover	10,140	8.6%*
Group net carnings	534	21.3%

[unaudited] "In order to provide a better reflection of the Group's activilles, financial income arising from contracts in progress is included in turnover with effect from 1 January 1996. The 1995 figures have been restated on the same basis.

This represents earnings per share of 31.60 francs Ifully diluted), compared

Consolidated turnover amnunted in 10.1 billing francs for 1906 of which 35% was achieved in Western Europe while turnkey or similar contracts remained at 85% of turnover.

Mnvements can be analyzed as fnllows: Recovery in Europe:

Breakdown of turnover by geographic area	1 <del>996</del>	1995
Westam Europe	35%	26%
C.I.S./Eastern Europe	8%	5%
Middle East	20%	32%
Asia	16%	22%
Africa	6%	7%
The Americas	15%	8%

Breakdown of turnover by business segment 1996 1995 Refining and gas treatment 41% 40% Upstream nil and gas 4% 9% Petrochemicals and fertilizers 34% 37% Industries, infrastructures and nthers 21% 14%

 The uncompleted part of contracts in progress, which part includes contracts in force (backlog) at I January 1997 amnunted to 12.2 billinn francs (compared to 12.6 billion francs at 30 June 1996). This does not include major contracts obtained where the financing has not yet been finalised. The accounts of the company, which are currently being audited by the

Statutory Auditors, will be submitted to the Board of Directors for approval in March 1997.

#### TECHNIP

DESIGN & CONSTRUCTION OF MAJOR INDUSTRIAL PROJECTS

# Mondadori shares hit by resignation

y Paul Betts Milan

nother upheaval in one of oup tumbling.

vice on the Milan stock change because of heavy

But the markets were infused and disturbed by e sudden resignation comg so soon after the depar-re of the well-regarded Mr ato. Mondadori shares osed nearly 10 per cent war at L12,400 in heavy

sirman, said Mr Forlin's signation had "nothing to with alleged disagree-

ld recently outlined.

Share price relative to the

ment

management unheaval.

for the resignation of the 61-year-old managing director was his difficulty in adapting to an Italian publishing environment after working for many years in a large product-based US group such as Scott Kim-

tions that Mr Forlin may

management. But the resignation of Mr See World Stock Markets

# of deputy chief

e main subsidiaries of the ninvest empire of Mr Silo Berlusconi, the former alian prime minister and ght-wing opposition leader. sterday sent the shares of ne Mondadori publishing Trading in Mondadori hares had to be suspended

elling pressure following e surprise resignation of r Paolo Forlin, the publish g company's deputy chairan and managing director. Mr Forlin, former bead of e European operations of e US Scott Kimberly Clark aper group, joined Mondapri as managing director ply last July, after the parture of Mr Franco Tato, w managing director of e state Enel alectricity

Mondadori said Mr Forlin ad resigned for "personal asons" and that the pubshing group was in a ealthy condition.

hding. Mr Leonardo Mondadori,

ents inside the publishing oup or with its controlling areholder". He said Mondadori was

Comit Index

However, Italy's biggest publishing group is expected

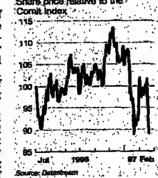
special board meeting tomorrow following the latest top

berly Clark. There ware also sugges-

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Forlin, after the company had only recently presented its new strategy, clearly undermined market senti-

to show net profits for 1996 in the range of L60bn-L70bn (\$35m-\$41m), belped in the second half by the fall in newsprint prices. The company has called a

One explanation suggested

have been unhappy at the recent reorganisation of Fininvest, with the decision of the Berlusconi holding company to appoint controllers in each of the group's main rsuing the development subsidiaries reporting ategy that the company directly to Fininvest's top

# Moody's reviews Japan credit banks

By Gwen Robinson in Tokyo

Moody's, the US credit rating agency, yesterday cast fresh doubt on the health of Japan's banking system by placing the senior debt ratings of Japan's three long-term credit banks under review for a possible downgrade.

The review will focus on prospects for the long-term credit busideregulation and an increasingly competitive environment, the

Bank of Japan, Long-Term Credit remain low, debenture-holders face that the government would allow greater risks," Moody's said. Bank - rely on issuing bank debentures as an important fund-raising instrument.

Under review are NCB's Baa3 senior debt rating, including domestic debentures, and IBJ's and LTCB's senior debt, deposit and financial strength ratings. The ness in the light of forthcoming and short-term deposit ratings at Baa3, as well as its financial strength rating of E.

"While the risks to NCB deposi-The three banks - the Industrial tors in the intermediate term zuka, to say it was "unthinkable" plan being finalised to reduce

bank, reflect concerns over the stock market's plunges, Concern ability of these institutions to about the banking sector deepened maintain competitiveness in a later that month when Moody's deregulated environment, the

NCB has been trying to reassure agency confirmed NCB's long-term investors since February 7, when government's commitment to prespeculation over a liquidity crisis triggered a plunge in the bank's share price and prompted the finance minister, Mr Hiroshi Mitsu-

The rating actions on LTCB and Throughout January, heavy sell-IBJ, the leading long-term credit ing of bank shares led the Tokyo downgraded its outlooks for four banks, including NCB, from stable to negative, and questioned the

> venting bank failures. NCB last night rejected Moody's concerns and said the hank was improving its business position. A

assets by at least Y500hn (\$411) and staffing by 10 per cent wold further improve the ban's finances. "We are confident sat Moody's will not lower its rang when it understands that NG's outlook bas improved, along ith the liquidity of debentures issed by the bank," it said.

LTCB described Moody's movas "regrettable". It rejected the ew that Japan's planned finanial deregulation would have a mative effect on long-term criit banks, and said reforms wold increase earning opportunities.

# Normandy climbs 9.3% at halfway

By Nikki Talt in Sydney

Normandy Mining. Australia's largest goldminer since its merger with two associated companies last year, yesterday announced an after-tax profit of A\$51.6m (US\$39.5m) in the six months to end-December.

The result represented a 9.3 per cent increase on the 1995-96 first half, assuming the merger between Normandy and its PosGold and Gold Mines of Kalgoorlie offshoots bad taken place at that stage.

Much of the Improvement came in the final quarter of 1996, when earnings were A\$31.1m, 52 per cent higher

than in the previous year. The group said its gold interests contributed operating profits of A\$176.4m. slightly below the A\$180.5m seen a year earlier.

Mr Robert Champion de Cresplgny, Normandy chairman, said there was a record performance from the 50 per cent owned KCGM joint venture, which takes in the Super Pit, Australia's largest gold mine. It contributed business improved from A\$46.8m, up from A\$32.4m.

By Michiyo Nakamoto

consumer electronics group,

visual operations by spin-

ning off its audio businesses

audio businesses from its

metted because of increasing

By shifting its audio

operations into a separate

company, Sanyo hopes to

focus on higher value-added

products in its consumer

electronics and media divi-

sion, such as digital video

discs and digital televisions.

will concentrate on promis-

ing audio products, such as

MiniDiscs. For products with

low value-added, it will

increase original equipment

manufacturing ~ bulk orders

The new audio company

audio-visual division.

competition.

into a separate company.

Is restructuring Its audio-

Sanyo to spin

off audio unit

Sanyo, the Japanese most of its audio manufac-

The company said it would towards scaling down its

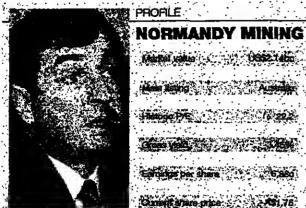
The move comes as prices Y10bn and Y20bn (\$80m-

said.

establish Sanyo Techno audio operations and

Sound, a wholly-owned sub- improving profitability at

sidiary, to take over the the parent company.



But earnings from Big Bell slipped from A\$20.8m to A\$15.5m, partly because of difficult operating conditions, while Mount Leyprofit.

shon's contribution fell from A\$29.4m to A\$25.9m. Lower head grades at Kaltails cut earnings there from A\$11.2m to ASSm. The commercial minerals

division was flat, earning A\$15.6m compared with A\$15.8m, but the metals

for other manufacturers.

turing activities abroad.

Sanyo has already moved

Mr Hideki Watanabe, ana-

lyst at Nikko Research in

Tokyo, welcomed Sanyo's

move as a much-needed step

Mr Watanabe believes

Sanyo is losing between

business. "Nobody is making

money on audio alone," he

As an independent com-

pany, Sanyo Techno Sound

will feel more pressure to

scale down its operations

Sanyo would be able to dis-

continue unprofitable prod-

ucts, such as radio-cassette

recorders and stereo compo-

nents, and focus on more

value-added products such

as MiniDisc, Mr Watanabe

Through this company,

and make them profitable.

largely because of a turnround at the Woodcutters mine, which moved from a A\$3.4m loss to an A\$8.3m

Goldfields Power, the power station in which Normandy has a 50 per cent interest, contributed a firsttime profit of A\$3.4m.

The Normandy result was accred after "other expenses" of A\$11m. The charge was due to a loss on

By Michiyo Nakamoto

Nissan, Japan's second

largest carmaker, has developed a system that will

enable it to reduce product

development time by an

average 40 per cent to 19

Nissan plans to use its

new system for models

launched from this year. It

believes the efficiency can

– cwrentiy Y10bn a model –

The race to reduce devel-

opment time has intensified

among Japanese carmakers,

which are competing in a

domestic market that is not

expected to expand signifi-

Mazda, which is 33.3 per

cent owned by Ford, is also

working to reduce develop-

ment time from an average

24 months to 18 months

within a year, and to 15

months over the next five

by at least 30 per cent.

months, it said.

in Tokyo

provision against loans and investments. These were partly offset by a small foreign exchange gain.

relative to the All Ordinaries Index

mandy said it expected to consolidate results from the La Source group's African goldmines and kaolin operations, and to see the new Vera-Nancy goldmine in Queensland. It anticipated "improvements" at Mount

development times.

ous model.

expects to reduce these costs first to claim that it will

months.

Some Japanese companies

bave already succeeded in

reducing development times

to 18 months, by focusing on

a particular model and using

the same platform as a previ-

restrict development times

of all new models to 19

The company will design

the model and make produc-

tion decisions simulta-

neously, rather than work-

ing on production decisions

after the design bas been set.

communication network to

allow the smooth transfer of

design and production data

between divisions.

It has built an information

Toyota developed its popu-

 Coal & Allied Industries, the Australian coal-mining business 71 per cent owned In the current half, Nor- by RTZ-CRA, yesterday profit of A\$4.1m for 1996, down from the A\$42m seen in the previous year.

Sales were A\$542.4m, comfirst contribution from the pared with A\$556.3m, reflecting lower thermal coal prices and a stronger Australian dollar. Production

# the sale of the Bounty mine. Leyshon and a full six- dipped from 9.1m tonnes in Nissan aims to reduce

development times years. Toyota and Honda sophisticated digital inforalso have programmes to cut mation technology system that will enable it to conduct three-dimensional product design and engineering, and

tion more efficiently. Japanese car companies already lead the industry in bringing vehicles to market at very short development lar lpsum station wagon in times. Western carmakers just 15 months, while Honda are believed to require 20-24 developed the C-RV recre- months from the completion save it tens of billions of yen ational vehicle in 17 months. of design to production. of audio products have plum- \$160m) a year in its audio in development costs, and it However, Nissan is the

manage production informa-

However, the unexpected popularity of recreational vehicles in Japan, which caught many carmakers off guard, has underlined the importance of bringing products to market rapidiy. Nissan, which has suffered

a fall in domestic market share to a low of 20.8 per cent, was particularly burt by its failure to meet the rapid growth in demand for recreational vehicles. It aims to boost its market share to 25 per cent by the turn of the Mazda is also investing decade through faster development of attractive models.

# Taiwan banks get first S&P ratings

By Laura Tyson in Taipei Standard & Poor's, se

credit rating ageny, warned of increased polaration in the Taiwanse assigned its first ratingato five of the country's bank

Taiwan Co-operative Bak was rated Api. Four oter financial institutions - Fst Commercial Bank, Hua an Commercial Bank, Chag Hwa Commercial Bank ad United World Chinese Cm-

mercial Bank - received at-ings of BBBpi, S&P said. The "pi" designation stands for "public inforiation". The rating is baseon publicly disclosed information and does not relyon regular access to mangement. S&P launched he

"pi" rating last Novembe. State-owned Taiwan looperative Bank is oneof Taiwan's higgest bans, with T\$1,510hm (US\$54.7n) in assets at June 30 1996.

First Commercial, ha Nan and Chang Hwa, all state-run, are known as be country's "big three" cm-mercial banks, with assis of T\$947.4bm, T\$922.9bn nd T\$855.3bn, respectiviy. United World Commercia is smaller private secor

S&P said Taiwan bankng faced challenges. Thee included continued dminance by the state banking sector, eroding interest mirgins and weakening aset quality, partly because ca slump in the property mrket. Banks with a bred business base would be be best equipped to handle be more difficult environmet. The agency commentd:

"Some of the private baks appear best placed to achieve this, although may of them face the problemof not having sufficient frachises established yet. "Many of the state baks

have problems with diciency and political interirence, and lack diversityin their range of business."

Without privatisatin, state-run banks "will cutinue to be constrained by the government budgetag process and they will lilly lose further ground to be private sector banks," &P

ASIA-PACIFIC NEWS DIGEST

# Loss at subsidiary hits Telecom NZ

Telecom New Zealand announced its first drop in earnings since 1992 as a result of problems with Pacific Star, its Australian subsidiary, and costs of starting Internet and other services.

Earnings fell 8.2 per cent to NZ\$167.2m (US\$116m) for the third quarter, to December 31. Mr Roderick Deane, chief executive, said that excluding Pacific Star's loss and start-up costs for new businesses, core earnings were NZ\$184m, a 4.1 per cent increase on the same quarter of last year. Telecom NZ, which is controlled by Bell Atlantic and Ameritech, the US telecoms groups, had said its earnings would be knocked back by Pacific Star, a slowing economy and intensifying competition. However, the quarterly profit was still less than expected.

Earnings for the nine months rose 1.5 per cent to NZ\$528.1m, with revenues up 7.1 per cent at NZ\$2.5bn. Mr Deane said that in spite of strong growth in most of its services, the latest quarterly result was "not as good as it could be" and that the company was undertaking a

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review of its operations and a cost cutting programme. Pacific Star recorded a loss in the quarter of NZ\$39.8m, compared with a profit of NZ\$11.6m for the same period of last year. Telecom NZ said it would announce a reliable estimate of all losses at the end of the financial year. These were likely to be between NZ\$35m and NZ\$55m. A one cent increase in the dividend, to 9.5 cents for the quarter, was declared.

Terry Hall. Welling Terry Hall, Wellington

#### Shenvin named top broker

Shenyin & Wanguo Securities, China's largest stock broker, was the top trader on the Shanghai bourse last year, according to a report yesterday by stock exchange

Shenyin & Wanguo, established last April through a merger of Shanghai Shenyin Securities and Shanghai International Securities, accounted for Yn526.41bn (\$63.5bn) of trading in 1996. The second-biggest trader was China Securities, based in Beijing, which accounted for trades worth Yn334.17bn. The Trust and Investment Company, which comes under the jurisdiction of the Construction Bank of China, came in third, with Yn179.76bn, according to the Shanghai Stock Exchange James Harding, Shangha

#### Capral slides 51% in year

Capral Aluminium, the Australian aluminium group, yesterday announced a 51 per cent slump in profits to A\$29.4m (US\$22.6m) in the year to end-December. Sales fell 4 per cent to A\$796m, with a small domestic increase more than offset by a decline in exports.

The group blamed the fall in aluminium prices, increased competition and a decline in "added-value" metal premiums, Earnings from the upstream smelting and trading activities plunged from A\$96.6m to A\$28.6m in 1995, while downstream interests lifted their contribution from A\$29.4m to A\$41m, partly owing to the addition of the Comalco rolling and extrusion businesses bought in late 1995.

However, Capral's shares rose 20 cents to A\$4.30 vesterday, after the company announced a special dividend of 25 cents a share. The regular final dividend is 6 cents, making 14 cents for the year. Capral said its strong balance sheet, with gearing dropping to 21 per cent, should "leave the company in a strong position for Nikki Tait, Sydney

#### Megaworld continues growth

Megaworld, the Philippine property group, yesterday announced its third consecutive year of profits growth above 100 per cent. Net income jumped 181 per cent, from 958m pesos to 2.69bn pesos (\$102m), after an extraordinary gain following the initial public offering of its bousing unit, Empire East Land Holdings. Analysts had been expecting earnings in the region of 1.6bn pesos. Consolidated revenue rose 24 per cent, to 9.86bn pesos, helped by strong sales of residential, office and mixed-use projects. Earnings per share trebled, from 0.51 pesos to Property analysts expect a substantial downturn in the

property market within the next two years, as high-end property prices have quadrupled in the past 30 months. Megaworld assets stood at 24.3bn pesos at December 31, up 83 per cent from 13.3bn pesos.

Justin Marozzi, Manila

#### Stokes lifts Seven stake

Mr Kerry Stokes, the businessman, has increased his stake in Seven Network, the listed Australian television network which is also a part-owner of the MGM film studios in Hollywood, A notice to the Australian Stock Exchange said Mr Stokes' stake now stood at 24.1 per cent, compared with just under 22 per cent previously.

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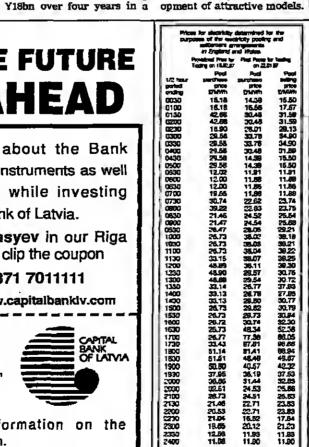
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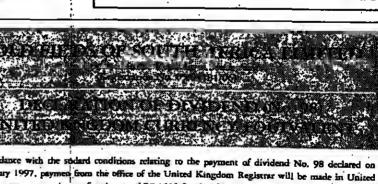
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Capital One Master Trust U.S. \$360,000,eep ting Rate Class A Certifi Series 1995-2 For the interest period 18th Februs, 1997 to 17th March, 1997 the Gifecates will carry an interest interest 533784 per amount with an amount of U.S. \$41.52 psyable per U.S. \$10.0 denomination and U.S. \$415.18 rt U.S. \$10.000 denomination, psyables 17th March, 1997.

Union Basik of Switzerland Landon Branck Accor Bank 14th February, 1997



21 January 1997, paymen from the office of the United Kingdom Registrar will be made in United Kingdom currency at the see of exchange of R7.1635 South African currency to £1 United Kingdom currency; this being the fix available rate of exchange for remittances between the Republic of South Africa and the United Kindom at 17 Sebruary 1997, as advised by the Company's South African bankers.

The United Kingdom cuency equivalent of the divideod (No. 98) of 80 cents per ordinary share is therefore 11.18773 penceer share.

London Office and Office United Kingdom Registre By order of the Bound: Gold Fields Corporate Serves Limited DET DIO GOLD FIELDS CORPORATE SERVICES LIMITED Greencoat House Francis Street London SWIP 1DH

15 February 1997

BRADFORD &BINGLEY £100,000,000

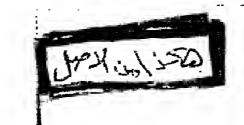
Collared Floating Rate Notes Due 2003 In accordance with the terms and conditions of the Notes, the interest rate for the period 18th February, 1997 to 18th August, 1997 has been fixed at 7.0525% per annum. The gross interest amount payable on 18th August, 1997 will be £35.02 Agent Bank

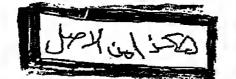
ROYAL BANK OF CANADA

(UK) No.3 plc £180,000,000

£14,600,000

Notice is hereby given that is accordance with the Conditions the following Notes will be redeemed on 25th February, 1997. Clas A Notes: 3,821 Notes (Value 538,210,000) Memanine Notes: 309 Notes (Value \$3,090,000)





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COMPANIES AND FINANCE: UK

Canadian group successful with 51.42% i narrowest margin witnessed in British oil sector

# wins control of Clyde Petroleum

Gulf Canada Resourcea yesterday won control of Clyde Petroleum, the UK oil independent, by the narrowest margin the British oil

sector has seen for years. The Canadian oil and gas group declared the offer unconditional after winning 51.42 per cent of its target by 1 pm yesterday, the closing

By Christopher Price

Investcorp, the Bahrain-

based investment group, has

bought the Welcome Break

chain from Granada, the

media and leisure group, for

£473m (\$766.3m) after beat-

ing off bids from supermar-

kets company Asda and Cin-

ven, the venture capital

Granada yesterday took

proceeds from disposals

since acquiring hotel group

Forte last year to £1.2bn by

selling the 21-site Welcome

Hotels for £90m.

Break and the Westbury

Mr Michael Guthrie, the

founder of the BrightRea-

sons restaurant concern and

former head of the Pavilion

service station group, is to

be chairman of Welcome

The price was at a 43 per

cent premium to book value

and some £100m above ana-

lysts' valuations at the time

Proceeds from the sale of

the London and New York

Westbury hotels, which are

being bought by property

group Chelsfield, will be

£50m after unwinding a leas-

of the Forte acquisition.

Investcorp's

£473m secures

the 29.99 per cent it had shares, or I er cent of was in the US yesterday, that control had been won bought in the market and Clyde, at 120p cents) late said he was "pleased" with "by the finest of margins". acceptances for a further 21.4 per cent.

Four of Clyde's larger investors sold - including Norwich Union, PDFM and Wittington Investments. Capital Group of the US sold

part of its 9.8 per cent stake. Clyde's defence was helped in the increasingly tense closing stages of the deal ate. when SHV, a large private
Gulf's final tally included Dutch company, bought 4.1m

ing ownership.

target of bringing net gear

ing down from 163 per cer

to below 100 per cent by th

September financial yer

The price paid by inva-

corp for Welcome Break 4S

a multiple of 22 times is-

toric earnings. In its 1st

financial year, the busiess

reported operating profit of

£32.2m on sales of £333m.

Net assets amounte to

director of Investcory said

he believed the compay had

achieved a good pre for

what was "an undevalued

brand and asset". Theroup

intended to inves some

£50m in the next fo years

to enable the cain to

"achieve its full pointial".

Investcorp also in nded to

expand the Welcore Break

brand into other service

Mr Richard Warns, a

£333.4m.

However, Granada has areas, such as ofer trans-

decided against selling the port-related locations, as

Grosvenor House hotel situ-well as overseas:

Clyde, at 120p cents) late

on Monday.

The energy and retall group has varal joint investments ith Clyde in the Netterids and analysts spiculed yesterday that the "panological message" couldave been a sign that SHV was concerned about G's plans for Clyde's Dish assets.

said he was "pleased" with the outcome. "We remain strongly con-vinced that the price offered

per cent to to £1.54bn, repre- divisions also did well. Sales

by Gulf represented excellent value for all Clyde's shareholders," be said. "We look forward to working with the management and employees of Clyde to grow the business."

Mr Malcolm Gourlay, Mr. P. Wan, Gulf'a presi-dent and lief executive who "axtremely disappointed" in the two weeks running up

The star performer waa

(Paril in the US) with sales

of 1706m, up from £495m. Mr

Leschly said the market

leader, Prozac, made by US

company Eli Lilly, was los-

Also doing well was the

antibiotic Augmentin, where

\$68m in spite of heavy com-

"by the finest of margins". Clyde's board is meeting in Gulf's favour. today and Gulf's senior exec-11 per cent in the last two

utives were due to arrive in London this morning. Analysts are expecting some job cuts among Clyde's 400 employees, particularly as Gulf plans to move its headquarters from Hereford-

shire to London. They also suggested ves-

has dropped by 5 per cent.

But Mr Craig Glick, Gulf's senior vice-president, said the bid, which had been "a long haul" was won because "we offered a full and fair

also have tipped the balance

The oil price has fallen by

weeks, while the oil sector

"Frankly, I'm surprised we

## Buy-backs Shareholders should welcome Barclays' plan to method of handing out FTSE surplus capital, through a 100

LEX COMMENT

reconsider its traditional share buy-back. Yat question-marks must linger until the bank reveals what it has in mind. For all its faults, the obvious replacement - a apecial dividend - is now the most tax-efficient solution for shareholders as o group. If Barclays comes up with an alternative whose net effect is less attractive it

to do. Meanwhile, lt is worth clearing up a worry in the minds of many management teams: that special dividends can wreak havoc with share option schemes. The problem is that option-holders do not receive special dividends, yet lose out when abare prices fall to adjust for them. But this difficulty is more apparent than real. In many schemes, the rules allow option prices to be adjusted; in others, solutions can usually be found. Option-holders can, for instance, be offered a cash payment equal to the dividend at the point

The real snag is presentational: such adjustments look like changing the rules for fat cats. Consider a real case: WPP, which is rumoured possibly to be announcing a buy-back today. Theoretically, the famously lavish share option package of Mr Martin Sorrell, chief executive, could probably be adjusted if a special dividend was paid. But he might still not want the inevitable fuss. A better explanation than that will be needed, however, if a buyback really is imminent.

# Avon Rubber in £60m tyres sale

By Roland Adburgham

Avon Rubber is selling its tyres division to Cooper Tire & Rubber of the US for about £60m (\$97.2m) cash.

Mr Steve Willcox, chief executive, said the sale would be a springboard for growth its other two divisions, automotive components and technical prodncts. "Avon Tyres is a small, focused and successful niche player in the world market," he said. "But we decided the return available from that £45.3m. business did not warrant investment in major growth. The deal releases substantial

our other businesses The deal will yield an

exceptional profit of about £12m, and a provision of £4m is being made for disposal costs and relocation of technical products from the Wiltshire factory, which will be sold to Cooper. Tyre distribution companies in France, Germany and Switzerland are also included in the sale. In the year to September

28, the division had operating profits of £8.2m on sales of £110.8m. Net assets were

The performance of automotive components and technical products was in funds and resources to con- line with expectations, the centrate on the growth of company said.

#### SmithKline warns on sterling past five years. Sales of in trading profit to £1.2bn. The company's other two these new products rose 37

company's sales.

ing market share.

Mr Allen aaid the latest tax profits would be 5 per

Suging sales of new drugs. **Welcome Break** esecally antidepressants, hope SmithKlina Beecham, th UK's second largest cues company, to a 14 per ated on London's Park lane. s p £1.55bn (\$2.51bn). Mr Charles Allen, chief exec-But profits were hit hard utive, said annual profits at

the botel had risen from y/the strength of sterling bought the Welcome Break £13m to £20m during Gran at last year.

motorway service station ada's tenureship and tha Mr Hugh Collum, finance company foresaw even director, said if sterling were greater potential by continu- to stay at its current level

for the rest of the year, pre-

disposals put the company cent lower than at 1996 well on course to meet it rates. Mr Jan Leschly, chief exec-

RESULTS

detition. That helped the company's utive, said pharmaceuticals obarmaceoticals division growth had been driven by 'increase turnover 14 per cent products introduced in the 'to £4.8bn with a similar rise

senting 36 per cent of the at the consumer health operation, whose products range from paracetamol to smokthe antidepressant Seroxat ing cessation treatments, rose 16 per cent to £2.3bn. Trading profits rose 11 per cent to £372m. Clinical laboratories ended

a period of falling profits with an 8 per cent pre-tax gain to £85m and a 3 per cent company'a biggest product, sales rise to £840m. SmithKline said it hoped

siles grew 4 per cent to to reach a settlement with the US government in its dispute over the charging practices of the Clinical Laboratories diagnostic division "shortly," possibly within the next two months



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Jan Leschly

#### Turnover (Em) (83.8 ) 20 4,204 Yr to Dec.7 299.1 Yr to Dec.1 35 Cott Teleca Yr to Der 31 118.60 (1087 ) 6 mithe to De 31 11.7 Yr to De 31 0.147 2 mithe to Dt 31 13.5 Yr to My 30 40.2 (126) (15.9 ) ( an 11.7 Sedgratick Yr to Dc 31 960.3 (2015) Smithilline Beacham Yr to Bc 31 7,925 (7,011) 5.85 Abtrust Preferred 9 mins 1 Feb 26 (-) Inv Tet Summery 17 m Dc 31 \* 94.4 (84.7 ) Temple Bur 17 to Bc 31 \* 430.55 (395.42) TR Euro Streats 6 mins to C 31 \* 278.92 (206.46) Apr 30 May 2 Mar 30

THE D T 31 \* 278.92 (206.46) 0.99L Earnings' shown basic. Dividenis shown not except Signoss throughout. Figures in brackets are for corresponding period. After exceptional charge. Water exceptional credit. #On reduced capital, #Increased capital. #Visit currency. O Total income. #Contains foreign income dividend element. Interd interior, makes 9.75p to date. #Comparatives restated. #Speci of 2.5p also proposed.

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Siemins Nixdorf: User Centered Computing

By George Graham, **Banking Correspondent** 

Barclays' share price fell sharply yesterday as lower profits at BZW, its investment banking arm, held the bank's pre-tax profits to £2.36bn (\$3.82bn) for 1996.

Operating profits at BZW slipped from £289m in 1995 to £204m as it invested in new people and computer systems in an attempt to catch up lost ground in investment banking.

Although that was dwarfed by an 11 per cent tal it needed to keep as a rise in operating profits on UK banking sarvices to £6.7bn-£7.2bn. With share-£1.7bu, Barclays' shares holders' equity at £7.27bn dropped 6 per cent to

Mr Martin Taylor, Barclays' chief executive, admitted BZW was producing inadequate returns, but insisted that the money spent on hiring new people should allow tha bank to start producing better profits from the end of next year. "We could have done nothing, had a higher profit buy-back. "The change in today, and a much weaker business," he said.

on sharaholders' equity giving thought to the improved to 23 per cent from 21 per cent in 1995, against its 10-year average of 11 per cent. That still return reported last week by Lloyds TSB, which has abandoned investment banking to concentrate on domestic retail banking.

Mr Taylor said Barclays' estimate of how much capicushion had increased to and cash coming in at a rate of £180m a month, Barclays expects to return about £500m to shareholders over the next 12 months.

That disappointed some investors who had been expecting the bank to buy back more of its own shares. However, the government has changed the tax rules

tax legislation doesn't record profits. change our desire to return Barclays' overall return surplus capital, but we are

means," Mr Taylor said. By buying back 120m of its own shares over the past 18 months, Barclays helped trailed the 33 per cent to produce a 25 per cent increase in earnings per share to 104.2p, compared with the 13 per cent advance in pre-tax profits. Personal banking operat-

ing profits rose 17 per cent to £773m, beloed by a strong performance from Barclaycard, the group's flagship credit card business. Despite increased competition from new arrivals such as MBNA and Advanta, the US credit card specialists, Barclaycard opened 900.000 new accounts last year. Business banking profits

rose B per cent to £801m. Bad debt provisions fell by 46 per cent to £215m, thanks largely to releases of provisions on the old loan books

uvestment banks have been rubbing their hands after a bumper year for financial markets in which many of them have reported

But at BZW, the Barclays arm that is one of the UK's premier investment banks, 1996 yielded a 29 per cent drop in operating profits as income rose by 7 per cent to £1.28bu, while operating costs climbed 18 per cent to Barclays measures the per-

formance of its division by calculating post-tax return as a percentage of what it calls "economic capital". This risk-adjusted measure produces a much lower figure for capital employed than a standard return on equity calculation, and yet even by this standard investment banking produced a return of just 8 per cent last year. Personal banking, by contrast, produced 34 per cent, business banking 24 per cent and asset manage-

ment 37 per cent. "We clearly can't live with 8 per cent," said Mr Martin ally on a new headquarters Taylor, Barclays' chief exec- at Canary Wharf and on new since Barclays' last share Barclays is trying to run off. utive. "They [BZW] know computer systems.



Bill Harrison: has already shaken up BZW with the water of new heads in all areas

very well, as I do, that the business needs to address its break-even point."

Yet BZW has been one of the business areas in which Barclays has invested most beavily over the last year. The group is spending liber-

yesterday is whether their At the same time, hard company was investing justi-£8im last year on what h Taylor coyly refars o upgrading BZW: the flably in a business capabla of generating returns on ecoof buying out the bunu nomic capital above 20 per packages of the new cent, as the rest of the bank ers it has hired, and of pay has done, or was simply

The question Barclays insufficiently profitable, shareholders were asking Mr Bill Harrison, the new

ing off those it has let pouring more money into an operation destined to remain chief executive Mr Taylor brought in from Robert Fleming to shake BZW up. has already brought a new

broom to the task, with new heads appointed in all its major areas. He believes BZW can produce much better returns by cross-selling; for example, by using its distribution ability

in the secondary equity mar-

ket to win primary equities Yet BZW's disappointing performance over the past two years, in markets which have generally been as favourabla for investment banks as they could possibly be, leaves questions.

BZW's woes are a mere drop in the bucket when set against the £1.94bn of operating profit from Barclays' personal, business, cross-border and private banking busi-

Yet that makes it all the harder for shareholders to believe that BZW's earnings will come riding countercyclically to the rescue when these businesses run into their own profits pressures.

George Graham

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## 8% TREASURY STOCK 2021

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Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted in the Official List on . THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 7 June 2021. 4. Stock issued under this prospectus will rank in all respects pari possu, and will be immediately fungible, with the cristing Stock and will be amalgamated with the existing Stock in the Central Gits Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 December 1996, the last interest response that of the Stock will are the stock of the Stock will interest. syment date of the Stock, until settlement on 27 February 1997 at the rate of

11,79726 per £100 pominal of Stock. . The Stock will be registered at the Bank of England or at the Bank of Ireland, Beliest, and will be transferable, in multiples of one pemy, by instrument in writing at accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Servior will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current

egislation, transfers will be free of stamp duty. 6. Interest is payable half-yearly on 7 June and 7 December. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six onths' innerest due on 7 June 1997.

Pursuant to a direction of Her Majesty's Treasury under Section 50 of the Income and Corporation Taxes Act 1988, interest on the Stock will be paid without deduction for or on account of United Kingdom income tax. However, the interest has a United Kingdom source and therefore may in certain circumstances be

chargeable to United Kingdom tax by direct assessment.

8. The Stock may be held on the National Savings Stock Register. 9. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident

10. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United

 For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for e purposes of United Kingdom income tax.

12. Applications for exemption from United Kingdom Income tax should be made in such form as may be required by the Commissioners of Inland Revenue.

The appropriate forms may be obtained from the Inland Revenue, Financial ries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2

13. These exemptions will not emittle a person to claim repayment of tax est unless the claim to such repayment is made within the tim limit provided for such claims under income tax law; in general, such a claim will be made within the time limit if it is made within five years from the 31 January following the year of assessment to which it relates. In addition, these exemption will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any rande or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of anatom by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United

> APPLICATION FORM FOR 8% TREASURY STOCK 2021

14. It is intended that, if an official facility for the stripping of gilt-edged securities is immoduted, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancelor of the Exchequer amounted that the sent had decided in principle to introduce such a facility and had also decided that any securities made atrippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gib-edged accurities. It was further amounced on ust 1996 that interest payments due to be paid on 7 June 1997 and thereafte on gilts intended to be strippable would be paid without deduction of United Kingdom income tax and would be exempt from those quarterly accounting arrangements. This includes 8% Treasury Stock 2021. Her Majesty's Treasury ed the requisite direction under Sec ion 50 of the Income and Corpor Taxes Act 1988 in respect of this Stock on 13 August 1996. The starting date for an official strips facility will be announced in the course.

15. Further details of the tax treatment of securities resulting from the stripping of stock of this know will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemption paragraphs 9 to 13 above in relation to such stripped accurities are subject to

16. Bids may be made on either a competitive or a non-competitive basis, as set not below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gill-edged market makers may bid by telephone to the Bank of England not later than 10,00 am on Wednesday, 26 February 1997,

Application forms must be sent to the Bank of England, New Issues, PO Box 444, Oloscester, GLI INP to arrive not later than 18:00 AM ON WEONESDAY, 26 FEBRUARY 1997: or ledged by hand at the Central Gits & Moneymarkets Office, Bank of England, Threadmedic Street, London not later than 10.00 AM ON WEDNESOAY, 26 FEBRUARY 1997; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.00 PM ON TUESDAY, 25 FEBRUARY 1997. Bids will not be revocable between 10.00 am on Wednesday, 26 February 1997 and 10.00 am on Monday, 3 March 1997.

18. The Bank of England reserves the right to require evidence of the identity of Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Sack, and take any other action it may think fit.

19. Cancellation of a sale of Stock for any reason will not affect the nonapetitive sale price or any other sale of Stock.

20. COMPETITIVE BIDS Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a n of £500,000 nominal of Stock and for a multiple of Stock as

Amount of Stock applied for £500,000-£1.000,000 £100,000 £1,000,000 or greater £1,000,000

Unless the applicant is a trember of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.79726 PER £100 NOMINAL OF STOCK must be made by a CHAPS payment. Each CHAPS payment must be seen to the Sterling Barking
Office, Bank of England (Son Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY 2021" to arrive not later than 1,30 pm on Thursday, 27 February 1997. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others! held with a bank o building society in the United Kingdom.

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING

unless the applicant is a CGQ member or is a UK or EEA regulated financial

ADDRESS (including postcode)

REGULATED FINANCIAL INSTITUTIONS ONLY

AS AGENT FOR ANY THIRD PARTY

FORENAME(S) AND SURNAME(S)

older at the address shown below.

institution, and Section 3 or 4 has been completed)

If additional space is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first name.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/NE WAITER

that to my/our knowledge this is the only non-competitive application made for my/our beaefit (or for the benefit of the personal on whose behalf I am/we are

applyings.
IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO

SERVICE WHO HAS COMPLETED SECTION 3, we request that any Succe allocated to us be credited direct to our account at the CGO. We hereby

nevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 51831 by the deadline for such

iveries on 27 February 1997, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD

PARTY, I/we have obtained and recorded evidence of the identity of each

person on whose behalf I am/we are applying, and I/we will on demand make

SIGNATURE(S)

of, or on behalf of, applicant

such evidence available to the Bank of England or the relevant authority.

(iii) The Bank of England reserves the right project any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicate whose competitive bids are at or above the lowest price at which the Bisk of England decides that any competitive bid should be accepted (the lowest accepted price).

APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE RICES WHICH THEY RID (PLUS ACCRUED INTEREST): competive bids which are accepted and which are made at prices above the lowest append price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in at only.

NON-COMPETITIVE BUSS

NON-COMPETITIVE BIDS

A non-competitive bid, other than one made v a gilt-edged market maker, must be for not less than £1,000 nominal of not more than £500,000 nominal of Stock, and must be for a multiple d£1,000 nominal of Stock.
Only one non-competitive bid may be submittly for the benefit of any one person, and each non-competitive application from may comprise only one non-competitive bid. Multiple application or suspected multiple applications are liable to be rejected.

1 Unless the applicant is a member of the CGD envice, a separate cheque representing PAYMENT AT THE RATE OF ILL FOR EVERY £169 MOMENTAL OF STOCK APPLIED FOR Intest accompany each

representing PAYMENT AT THE RATE OF ILLS FOR EVERY SIGN
NOMINAL OF STOCK APPLIED FIR must accompany each
com-competitive bid; cheques must be drawn of that in, and be payable in,
the United Kingdon, the Channel Islands or the fact of Man.
The Bank of England reserves the right to rect my non-competitive bid.
Non-competitive bids which are accepted will be accepted at full at the

non-competitive sale price plus accrued intere at the rate of £1.79726 per £100 nominal of Stock. The non-competitive de price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHITH COMPETITIVE BUSS HAVE BEEN ACCEPTED, the average belt weighted by reference to the amount accepted at each price and RUNDED OOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

If the non-competitive sale price, plus accrued terest, is less than £112 per £100 nominal of Stock, the belance of the amou paid on application will be refunded by cheque sent by post at the risk of tlapplicant.
If the non-competitive sale price, plus accused terest, is go

per £100 nominal of Stock, applicants who per £100 nominal of Stock, applicants whosenon-competitive bids are accepted may be required to make a furth payment equal to the non-competitive sale price, plus accrued interex less £112 for every £100 nominal of Stock allocated to them. An applied from whom a furt payment is required will be notified by letter by a Bank of England of the ount of Stock allocated to him and of the futer payment due, but such notification will confer no right on the applicanto transfer the amount of Stock so allocated. The desputch of certificates applicants from whom a further payment is required will be delayed unstuch further payment has

Ivil Each gilt-edged market maker may bid non-committeely for up to 0.5% of

22. The Bank of England may sell less than the full axent of the Stock on offer

23. The Stock will be issued in registered form. Exec in the case of Stock held for the account of members of the COO Service (for was separate arrangements). apply), registration will be in accordance with the structions given in the ion form. The Bank of England may decline to juster Stock unless it has obtained such evidence as it may require of the identity the applicant and of any person for whom the applicant may be acting as agent.

34. Certificates in respect of the Stock sold tother than pounts held in the CGO Service for the account of members) and the refund only excess amount paid, may at the discretion of the Bank of England be withd until the applicant's cheque has been paid or CHAPS payment receive and, where re entition and overliphon of Chief of James Received in the event of such withholding, the applicant will be notified by letter by thank of England of the

OETAILS OF APPLICANT(S)

his application and of the amount of Stock aflocated to bim, subject to the payment of his cheque or receipt of his CHAPS payment, or to a satisfactory evidence of identity as appropriate, but such notification right on the applicant to transfer the Stock so allocated. Certificates

will be seen post at the risk of the applicant.

25. No sal will be made of a less amount than £1,000 nominal of Stock. If an application satisfied in part only, the excess amount paid will, when refunded. cheque despatched by post at the risk of the applicant; if an jected the amount paid on application will be returned likewise. Application specied the amount paid on application will be returned network.

Non-payment presentation of a cheque or non-receipt of a CHAPS payment on the due date is appect of any Stock sold may result in the sale of the Stock being cancelled. Intest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits interting ("LIBOR") plus 1% per annum may, however, be charged on the amount gable in respect of any Stock for which payment is accepted after

on the amount grable in respect of my Stock for which payment is accepted after the doe date. She rate will be determined by the Bank of England by reference to market quotalist, on the due date for such payment, for LIBOR obtained from such source or seces as the Bank of England shall consider appropriate.

26. Subject to be provisions governing membership of the CGO Service, a member of that rivion may, by completing Section 3 of the application form; request that any Sek sold to him be credited direct to his account in the CGO on Thursday, 27 February 1997 by means of o member-to-member delivery from an account in the rate of the Governor and Company, of the Bank of England, Number 2 Account Faiture to accept such delivery by the deadline for member-to-member delivery made the rules of the CGO Service, on 27 February 1997. to-member delivers under the rules of the CCO Service on 27 February 1997 shall for the purpos of this prospectus constitute default in due payment of the

emount payable in spect of the relevant Stock.

27. Application runs and copies of this prospectus may be obtained by post from the Bank of Ingland, New Issues, Southgate House, Southgate Street, Gloucester, GLI 1U; at the Central Gilts & Moneymarkers Office, Bank of England, Threatness Suret, London, EC2R 8AH or at any of the Branches or Agencies of the Barryof England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Sees, Belfast, BT1 5BN; or at any office of the London Stock

Schedule 9 to the lazation of Chargeable Gains Act 1992. Accordingly disposal of the Stok will not give rise to a chargeable gain or allowable le

for the purposes of apital gains tax.

for the purposes of apital gains tax.

Gilt-edged securitis which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Pinance Act 1996. Thus, for a holder of the lock who is neither trading in the Stock nor within the charge to corporationax in respect of it, United Kingdom income tax arising in relation to incline of the Stock will generally be limited to income tax on interest received or, a certain circumstances, accrued.

For a holder within the charge to corporation tax, a holding of the Stock will

the Finance Act 1996 vill apply.

Attention is drawn to the streament issued by Her Majesty's Treasury on 29 May 1985 which explained that, a the interest of the orderly conduct of fiscal policy. neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertak to disclose tax changes decided on but not yet amounced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bunk; thatno responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any on liable to be set aside nor give rise to any claim for compen

LONDON

Complete Section 1 or 2, plus Sections 6 and 8, should also be completed where appropriate.  TO THE GOVERNOR AND COMPANY OF THE B.  I/We apply in accordance with the terms of the prospe non-competitive bids dated 18 February 1997 as follows:	ANK OF E	NGLAND
FOR COMPETITIVE BIDS ONLY ie for Stock to be purchased at the price bid plus acc See notes (al and (b) below.	rued invere	rt)
Nominal amount of 8% Treasury Stock 2021 applied for:  Amount of Stock applied for Multiple £500,000-£1,000,000 £1,000,000 £1,000,000	£	
Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:	£	32nds
PLUS accrued interest at the rate of £1.79726 per £100 nominal of Stock:	£	79.726
Total amount payable per £100 nominal of Stock:   excluding accraed interest)	£	P
Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUEO INTEREST:	£	
(ie for Stock to be purchased at the non-competitive s interest, as defined in the prospectus)  See notes jet and (d) below.	ale price, p	lus accrued
Nominal amount of 8% Treasury Stock 2021 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock:	£	
Sum enclosed, being £112 for every £100 NOMINAL of Stock applied for:	£	
FOR CGO MEMBERS ONLY CGO Participant Number		

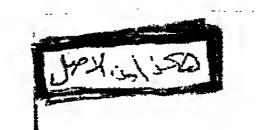
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Cagiand Register, unless you wish the Stock to be gistered on the National Savings Stock Register NSSR (for which there is a maximum limit of 25,000 nominal of Stock) or at the Bank of Ireland, telfast, in which case please tick the appropriate box.				
IC	TES			
17	A competitive old may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.			
)	Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "STY2021", to arrive not inter than 1.30 pm on Thursday, 27 February 1997. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.			
	A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an applicant form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant a name and address from a third party, for			

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GLI INP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 FEBRUARY 1997; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 FEBRUARY 1997; OR LODGED BY HAND AT. ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.00 PM ON TUESDAY, 25 FEBRUARY

cample a recent bill from a gas, electricity or exleptione company or a

(d) The procedure for any refund, or further amount payable, is set out in



# Brighter prospects

Innovation is threatening monochrome's lead among business users

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expensive

ver the past few years low-cost colour inkjet printers, from manueuch lewlett-Packard, Canon and pson, have come to dominate the bome and email business printer market.

Overall sales of inkjet printers in 1995 increased about 60 per cent in unit terms to 8.68m machines, and hy 39 per cent in value to \$2.99bn (£1.84), according to the latest figures from international Data Corporation, the market research company. Colour inkiets accounted for 7.03m units or about 80 per cent of the total, up from 30 per cent just a year earlier.
"All the major vendors

"All the major verse bave already turned their notes

Unlike the older-style dotmatrix or "line printers", which use inked ribbons, the most popular inkjet printers use a system that "eboots' ink through a multi-nozzled bead. Heating the ink makes a tiny amount of vapour form a hubble which forces the ink through one of the openings in the print-

Similar methods use piezoelectric crystals embedded in containers of liquid ink. Piezo-electric crystals vibrate as electric current pulses through them, setting up precisely-timed ripples, each of which causes a droplet of ink to spray from an ultra-fine nozzle and form a dot of colour on the page,

These systems, mostly costing less than \$300, can produce vibrant colours, particularly on specially coated papers. However, inkjet printers are relatively expensive to run, slow to operate and on cheaper papers the ink tends to "bleed" which creates a slightly fuzzy image. Factors such as this hava meant colour has been relatively slow to penetrate the business market, where high-speed monochrome laser printers hold sway and colour is often seen as an

faster, lower-cost colour printers aimed at the business market has made corviable. These colour business printers use technologies including conventional laser, thermal and ink.

In a laser machine, a beam machine itself - the recently is directed at a photo-electric belt forming a region of elec-tric charge. For colour, this process is typically repeated four times for the cyan, magenta, yellow and black portions of an image. Toners - finely powdered dry inks of each colour are attracted electrostatically to the belt and are transferred to an electrically charged drum. After all four colours are on tha drum, the image is rolled



opposite elactrical charge and heat fused.

Generally this technology produces a sharp image, but has suffered because of relatively high costs of the equipment - typically up to \$5,000 - its complexity, relatively slow speed and cost of operation.

For these reasons some manufacturers have turned to alternative colour technologiea. Tektronix, the US technology group, has developed a solid ink technology for its Phaser line of colour

These machines usa a thermal wax printing technique also known as "phase change", which involves melting four differently coloured wax blocks. This liquid wax is forced through printhead nozzles on to a drum spinning at about 200rpm. After a complete image of the page bas built up on the drum it is transferred to the paper, where it dries instantly.

In contrast to lasers and conventional inkjets, the image is neither fused nor However, the arrival of absorbed into the paper put colour page proofs. which means that a highquality, slightly glossy image can be produced even porate colour printing more on low-grade paper such as standard photocopy sheets. Using this technology bas enabled the US company to reduce the cost of the



Information Technology • The FT's review of Information Technology appears on the first

launched Phaser 350 costs \$3,500.

It can also be hooked up to a dedicated scanner to reproduce multiple copies of an existing colour image. Models capable of producing A3 and poster-size prints 36 in wide are also available.

raditionally, one of the

higgest barriers to colour printing for husinesses has been the relatively high cost of text-only (black) prints, However, by the astute move of supplying its customers with "free" black wax blocks. Tektronix claims it has overcome this obstacle as well - text printing costs about 1.6 cents a page, significantly less than conventional mono laser costs, while a typical colour page costs less than 8 cents.

The new system is proving populär with businesses that want a heavy-duty but quick colour printer. For example, IPC, the UK consumer magazine publisher, installed cally and printed as our printers last year to out-"We found that in many

cases the solid-ink Phaser colour printer gives results almost as good as the actual is fast, easy to use and bas affordable consumable

At the same time, changes in desktop computing bave printers remotely. made it easier to use colour in business - most desktop personal computer applications now aupport colour, and high-definition colour displays are standard on all which enables users to moninew PCs.

power of modern desktop using a standard Web PCs is more than adequate browser. for supporting complex graphics and most PCs are

booked together to form fast local area or enterprise networks, making the sharing of relatively expensive peripherals a more cost-

"Colour printing is now moving into the husiness mainstream," says Gerry Perkel, president of Tektronix's colour printing and imaging division. Paul Allaire, Xerox chief executive agrees: "Corporates are moving to colour."

effective option

The advocates of corporate colour printing claim a number of advantages for the technology. In particular, they say that locally produced colour business documents make communications more effective and increase the response rate to direct mail. Desktop colour printing,

they claim, reduces costs hecause more graphics and production work can be done in-house and colour documents can be created on demand, stored electronimore than 60 Tektronix col- required, removing the need press runs.

The rapid development of corporate intranets, local area networks using standard Internet technologies page," says Nic Bellenberg, is also fuelling demand for systems manager at IPC corporate colour printing as Magazines. "On top of that it users become increasingly used to colour Web pages.

Significantly, Web technology is also being used to help manage modern colour

Several colour printer manufacturers, including Tektronix and Xerox, have recently begun to build software into their machines tor and control printers over Meanwhile, the processing an intranet or the internet

Paul Taylor

# Image of a high-speed future

A new type of printhead could have numerous applications

snaps or waiting by the office colour printer for an illustration to emerge may soon be a sepia-tinted Xaar, a Cambridge-based research company, has

Tisiting the chemist to

develop your holiday

developed electronic printheads which produce photographic quality pictures economically and at high speed. "At the moment inkjets

are dominant in the personal printer market," says Steve Temple, Xaar's technical director. "Our technology will move them into the networked printer market." The day is not too far off,

be adds, when people will be editing and printing their own photographs at home, downloading captured images from a digital camera to a personal computer - technology which already exists - and producing high-quality prints at high speed with printers containing Xaar's

Xaar's printheads differ from conventional inkjet ones because they are constructed from an array of ink channels made from a "piezo-ceramic" material called PZT. When electrodes plated on to the walls between each channel pass a current across the material. the channels change shape.

The effect, says Temple, is to create an "acoustic wave" which shoots down the channel and ejects ink droplets, avoiding the need to heat the ink to high temperatures.

"We use only about one-thirtieth of the energy required by conventional inkjet printers," he says. The printheads are much smaller than rival products since microchip fabrication methods are used.

Special inks have also been developed, in collaboration with Zeneca Colours (formerly part of Imperial Chemical Industries). The formulation applications such as large scale poster printing. But the company is now licensing a grey-scale version of its printhead which will enable users to churn out large numbers of

photographic quality prints.

also sujtable for industrial

A grey-scale printhead produces photographic quality reproductions by using multiple dot sizes up to 16. for example. rendering 16 levels of grey. So each dot created by the 360 dot-per-inch head is made up of a number of different dot sizes. A laser printer applying

600 dots per inch to paper

As the Internet gets faster surfers may want an ultra-quick colour printer to capture illustrations and data

uses non-aqueous solvents and pigments as colourants which give laser print quality on standard and recycled office paper. "One of the keys to fast colour printing is drying time," says Temple.

Xaar, formed in 1990, focused first on developing a binary inkjet printhead - so called because it produces a single tone. Ideal for text-based work, it competes with laser printers and is

hat using only a single dot size cannot match the quality, says Temple.

far signed up to use Xaar's technology in varying degrees, each paying c2m-plus for a licence, says Graham Wylie, managing

director. The product will give Xaar exposure to important emerging markets including digital consumer photograpby.

Kodak, UK arm of Eastman Kodak, the US maker of imaging prodocts and one of the world's leading suppliers of consumer cameras and film, is not among Xaar's licensees, but it agrees the potential for digital cameras is vast.

Next month, Xaar will unveil a 2½in-wide printhead, aimed at high-speed office and industrial printing. But the biggest advance of all may come next year, when Xaar makes available an A4-wide grey scale printhead. That, says Temple, will

open the way to launching relatively cheap printers canable of churning out 100 photographic quality colour pages a minute.

The potential applications are numerous. As the Internet gets faster, for example, surfers may want an ultra-quick colour printer to capture illustrations and data

Other industries might also benefit. Instead of using a print bouse and conventional delivery method such as the post, small circulation titles specialist trade publications, for example - could be downloaded from a publisher to a high-speed A4 grey-scale colour printer in the local newsagent.

David Traherne



**Eagle Eye** · Louise Kehoe

# Cultural chasm

It is easy to forget that Europeans do not necessarily aspire to the techno-lifestyle embraced in Silicon Valley

an appealing prospect.

video on the Internet usu

New software from Pro-

created the RealAudio soft-

khps modems or better still

an ISDN digital connection,

it shines with full-motion,

TV-quality pictures.

As Internet publishers

scramble to transform Web

sites from "free samples" o

their traditional paper-based

(www.real.com)

Weh pages.

take forever to download

industrialists slower to make use of personal com-puter and Internet technologies than their counterparts in the US?

I've been mulling over this question since I talked a couple of weeks ago to Andy Grove, Intel chief executive. Grove was about to depart for the World Economic Forum in Davos, Switzerland, where he planned to deliver a characteristically blunt speech.

He said he would warn the assembled political and industrial leaders of Europe that they were falling behind in the adoption of new technologies. He would urge this group to lead by example by making PC technologies euch as e-mail a fundamental part of the way they work.

Afterwards, European commentators variously saluted Grove for his "wake-up call" or dismissed his comments as a sales ploy.

To me. Grove's speech was a salutary reminder of the cultural chasm between the West Coast of the US western Europe. and Imbued in the technologydriven business culture of Silicon Valley, it is easy to forget that not everyone shares the faith, not everyone believes that taking maximum advantage of IT is critical to business suc-

From this West Coast vantage point it is bard to imagine how any business or organisation could operate without e-mail and a corporate intranet.

Hewlett-Packard would function "poorly or not at all", if its e-mail systems were removed, says Lew Platt, chairman and chief executive. "I can bardly remember life without e-mail. It is woven into the fabric of how we operate." At Intel, Microsoft, Cisco

Systems or Sun Micro. systems, the story is the same. Corporate networks carrying e-mail and Weh



Yet in Europe, Platt, Grove and others tell me, the chief executive who described at Davos how he starts his work day with screens full of e-mail and uses e-mail is the exception rather than the rule. I also hear anecdotes of European frequently finishes respondmanagers who ask their secretaries to print out e-mail messages and type out at night. responses.

Used in this way, e-mail is little more than a substitute for the fax machine, and an inconvenient one at that. It seems these managers are more determined to maintain their traditional work environments and practices than to take advantage of the opportunities created by new technologies.

I bave come to the cooclusion that this resistance to change has something to do with the pace of doing business in Europe - and for that matter the pace of life. E-mail vastly accelerates husiness communications. It enables electronic messages and documents to be sent almost instantly to anywhere in the world. It eliminates "telephone tag" and spans time zones. It cuts

speedier deal making and prompter customer services. But e-mail also places new demands on everyone to respond swiftly, to make

bureaucracy and leads to

faster decision making,

From the West Coast it is hard to imagine how any business or organisation could operate without e-mail and a corporate



pages are the life blood of directly with co-workers, sitions, there is intense interest in the growth of customers and suppliers. Bill Gates, chairman of Weh advertising. Now Weh advertisers are Microeoft, for example,

demanding more accurate measurement of the effec tiveness of their Web-page banners". Rather than ask ing to these messages late ing how many times a Web page is read, they now ask for "click through" data -For Gates, his colleagues or how many visitors to a at Microsoft and their counterparts throughout Silicon Weh site click on an adver-Valley, this is a way of life. tisement to get more infor-To others, I suspect, it is not

matioo. This could bave significant implications for electronic publications and eventually perbaps for the traditional media.

The "multimedia" attributes of the Web have been Web sites with the highwidely touted. in reality, est numbers of visitors, such as search services may be able to charge a preally comes in snippets that mium only if large numbers of their users are sufficiently attracted to click on gressive Networks - the Seattle-based company that adverts. On the other hand, less widely used sites that draw special-interest readware for downloading and listening to speech and ers may do better when music, promises to change "click through" is measured all that, making video a on advertisements targeted

uhiquitous component of at their readers. Ultimately, some in the Internet publishing industry This software marks a significant step forward in the expect a new form of tarevolution of the Weh. If it geted direct marketing with catches on like RealAudio, advertisers paying a bounty for which Progressive to Web publishers which can deliver readers from claims 10m users. TV-style commercials, video messpecific demographic groups.

sages from political candi-Over time this will force dates, live video newscasts traditional media, especially and all manner of pay-perview videos are just around magazines and newspapers, to try to gather even more At 28.8 kbps (kilobits per informatioo about readers' second), RealVideo provides interests and spending hab-"newscast" quality video its. The best way for them fine for information but not to do this may be via the good enough for entertain-Web. ment. With the latest 56.6

> Your opinions on issues raised in the Eagle Eye column are welcome. Please access the Eagle Eye discussloo group at www.FT.com (look under the "connect and respood" heading on the contents page).

Contact Louise Kehoe: products into paying propolouise & FT.com

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# High-yielders continue divergence from bunds

By Samer Iskandar in London and Tracy Corrigan in New York

Divergence from German bunds was the dominant theme in Europe's highyielding markets yesterday, prolonging Monday's trend.

"We are starting to see some serious profit-taking on now that the debate on Emu has become more open," said Ms Phyllis Reed, European bond strategist at BZW.

Italian, Spanish and Swedagainst the tide of rising 0.32 to close at 132.68. markets in the rest of continental Europe and the UK.

reached a record 104.04 national. She said yester- closed 0.81 lower at 113.98.

INTERNATIONAL BONDS

The eurosterling sector

received a further boost ves-

terday with the launch of

£750m of new paper amid

continued demand for ster-

ling bonds. The relatively

high yields available and the

By Conner Middelmann

## UK gilts rally on higher than expected fall in public sector debt

UK gilts rallied strongly yesterday week for the first time since Novemon news of the higher than expected ber, was partly fuelled by jitters berden reduction in public sector debt last

month, Edward Luce writes. formed German bunds with the same maturity, they continued to outperform Italian BTPs.

on gilts drop below that of BTPs last

over European Monetary Union. A spate of negative comments by Although 10-year gilts underper- officials in Germany and Brussels record 114% in morning trading, but liams, head of fixed income at an overhang of last week's

on Italy's chances of becoming a dropped back on profit-taking to Rothschilds Asset Management in heavy supply was still founding member of Emn in 1999 Analysts said the recent rally in year BTPs over bunds 30 basis the UK market, which saw the yield points wider in the last fortnight.

173 basis points over bunds.

close at 113% on the London Inter- London. has pushed the yield spread of 10- national Financial Futures and Ontions Exchange. Meanwhile, do even better if there was serious Liffe's March future on Italian BTPs talk about postponing the Emu proj-This spread closed at 182 basis fell a full point to close at 120.67.

173 basis points over bunds.

Lation between the performance of market failed to provide any support. Analysts also said support. Analysts also said

"Having said that, UK gilts would

Swedish 10-year bonds lost have been relatively well related doubts. "Ecu bonds 0.13. Meanwhile Matif's ket participants are begin 0.63 to 109.91, their yield supported. There are even are already trading like a signs of investors buying at post-Emu market," said Ms

ect." he added.

Bond prices slipped by up to % point in early trading. after traders returned to their desks following Monday's Presidents Day holiday. A lacklustre equities

weighing on prices. Near midday, the new 30-year bonds, which were auctioned last Thursday, were down 並 at 100% to yield 6.546 per cent.

Two-year notes fell 🔓 to 100 yielding 5.770 per cent, while 10-year bonds were % lower at 99% to yield 6.276

Today's release of consumer price data could give the market a fresh pusb, with traders looking for furmaintain their impetus after ther signs that inflationary conditions remain benign.

# Currencydealing lifts func returns

By Richard Lapper, Capital Markets Editor

Hedge funds specialising t currency trading advisor programmes made stroi returns last mont reflecting recent volatili in the foreign exchang

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BOMANGE CROSS RATE

markets. According to the Tax Flash report, a monthly su vey conducted by Tass Mai agement, a London-base information and researc. company, each of the 10 bes performing "commodit trading advisers" - hedge funds which can also speci alise in commodities and futures - made the majority of their profits from cur-

rency dealing The funds' successful trading strategies included taking long positions on the US dollar and short positions on the yen and D-Mark, both of which have weakened against the US currency in recent months.

Ms Nicola Meaden, chief executive of Tass, said the performance reflected trends first apparent in

The last time each of the top 10 performers in the survey had specialised in cur-

rencies was in early 1995. In the commodity mar-

kets, hedge funds made good profits by taking short positions in gold and platinum and long positions in coffee, Ms Meaden added.

Dean Winner Composite Foreign Currancy fund topped the Tass chart with a return of 20.9 per cent, followed by Dunn Capital Financial TOPS with 17.9 per cent, and Dunn Capital WMA Account with 17.8 per

**UK Indices** 

# ing the markets is that of a spread over equivalent

ish bonds closed lower. March notional future rose ning to reconsider the odds".

The March bund future on delay to Emu," said Ms bunds widening by 11 basis the London International Sonja Gibbs, senior bond points to 126 points. In Bar-

especially targeted at conti-

Of particular appeal to

nental Europe.

More issues in eurosterling

burg, joint bookrunner with mortgage debenture stock

CSFB. He said the issue was for Sbaftesbury, the prop-

before settling at 103.71, up day's selling "suggests mar-Spanish 10-year bonos fell "The main question driv- 0.66 to 103.62, their yield 112 points.

spread over bunds also widening by 11 basis points to

"If worries over Emn increase, we could see funds flow back into the D-Mark,"

Financial Futures Exchange strategist at Nomura Inter- celona, March bono futures Ms Gibbs said. "But so far ers warned that the sector

rose 0.32 to 109.20, but tradcould be vulnerable to Emu-

Ecn bonds matched the rise in bunds. Ecu-denominated 10-year French OATs

Ela (c.s) 3tm 5.75

500 250

Reed, at BZW. "A delay to per cent. Emn would be a frightening prospect for holders of Ecu

US Treasuries failed to last week's strong run.

#### currency's strong performance bave fuelled internaswitching out of Fannie Mae bonds, "which shows how tional demand for sterling much new cash is coming assets prompting about into the market and under-29bn of bond issues in the lines the success of Fannie Kleinwort Benson, the deal sold out quickly, mainly to first six weeks of 1997. Mae's deal". Japanese appetite for ster-Bayerische Landesbank UK institutions. tapped this demand with a ling paper apurred the launch of a further £250m of £500m issue of five-year sterling bonds, for the World bonds, hard on the heels of a £1bn five-year benchmark Bank, Lead managar Nomura said the three-year issue for the US Federal National Mortgage Corporapaper paid a 6 per cent coution (Fannie Mae) last week. pon, about 500 basis points "We were pleasantly sur-"We decided to follow up more than domestic three-Fannie Mae with something year instruments available that would appeal to institu- to Japanese retail investors. # BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

retail investors is that Street in London. Bayerische Landesbank's The debentures, due 2024. bonds are in bearer format, yield 90 hasis points over as opposed to Fannie Mae's gilts and are fungible with registered global bonds. Nev-£29m of outstanding stock. ertheless, he reported little The paper is secured on first mortgages on the Carnahy Estate and some properties in Chinatown. According to lead manager Dresdner

arty company which owns

London's Chinatown and

recently-acquired Carnaby

Germany's DePfa Bank set a new milestone with a DM1bn 12-year jumbo Pfandbrief issue, the longest maturity yet to be issued in the Pfandbrief sector,

> prised by the strong reception of the deal across Europe - about half was placed outside Germany." said Mr Frank Rühland.

> > 0.37 0.39 0.12 0.23 0.03 0.13

(UFFE) Lira 200m 100ths of 100%

0.66 0.47 0.33

III NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES

0.86 0.67 0.51

IR ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFTE) Lin200m 100ths of 100%

130.85 129.67 ·1.00 131.03 129.45 107712 120807 130.20 129.02 ·1.01 130.20 128.80 4214 16840

Commerzbank, CSFB and Goldman Sachs reported strong sales to French and Benelux institutions such as life assurers, which like longer maturities.

of four-year bonds, placed largely with Dutch institutions, and DM100m of bonds linked to the Rex index of long-dated bunds. The European Investment

10-year bonds to be redenominated into euros once the European single currency is introduced. At that time, the bond will become fungible with a Fl 1bn issue launched in late January. Lead manager BNP said it placed about FFr500m of the issue outside France, notably with institutions in the Benelux region and the UK.

 Brazil's state-owned oil group Petrobras plans to

issue \$200m in debt denomi-

nated in yen by June, Reuter
reports.
"We are discussing with
the government if the samu-
rai bond issue is the best

FTSE Actuaries Govt. Securities

DePta Fine

alternative," said Mr Hercould recommend issuing honds in another currency.

Fi 1bn, d) 8% for 8 mits, then 4.05% + (6-mit) Lira Llbor -6-mit) DM Libor), e) Convertible in Mar 99 into FRN payin Libor +25bp. e1) zero to 18/3/98, then linked to MiB-90 to 18/3/00, then 9%, f) 6.67% to 20/3/02, then 12.50% -Libor, min 4.5%, g) 5% to 1/4/01, then 7%%, i) Over interpolated yield. I) Long 1st coupon, s) Short 1st coupon.

Mar 2007 1.15

Apr 2005 2.00

alternative," said Mr Her. The company plans to nani Fortuna at Petrobras, raise a total of \$500m to adding that the central bank \$600m in 1997. Last year, it raised \$500m from the eurobond market.

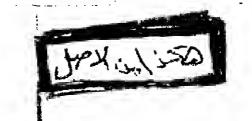
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		Coupon	Date	Price	Day's change	Yield	Week	ago
Australia		6,750	11/06	96.4674	+0.070	7.26	7.35	7.52
Austria		5.625	01/07	101.0000	+0.080	5.49	5,59	5,90
Belgium		8,250	03/07	105.4000	+0.020	6.26	5.54	5.94
Canada *		7,000	12/06	106,0000	-0.250	6.17	6.33	6,72
Derumerk		8,000	03/06	112.6600	-0,040	6.14	6.23	8.55
France	BTAN	5,500	10/01	105.0873	-	4,28	4.35	4,57
	OAT	6,500	10/06	108,8900	+0.190	5.31	5.43	, 5.81
Оектполу	Bund	8.000	01/07	103,8400	+0.090	5,48	5.58	5.87
ireland		6.000	08/06	111.3000	-0.290	6.37	6.41	6.80
Itely		7.750	11/06	103.9300	-0.450	7.16†	7.08	7,46
Japan	No 143	6,000	09/01	121.3119	+0.050	1.37	1.38	1.48
	No 182	3.000	09/05	104,3098	+0.040	2.40	2.39	2.51
Netherlan	ds	5.750	01/07	102,5600	-0.260	5.29	5.36	5.77
Portugal		8.500	05/06	119.4500		6.57	6.63	6.88
Spain		7.350	03/07	103.6200	-0.660	6.74	6.75	8.90
Sweden		6,000	08/07	109.9068	-0.630	6,65	6.69	6.78
UK Gilts		8,000	12/00	104-11	+7/32	6.68	6.75	7.20
		7.500	12/06	102-27	+9/32	7.09	7.13	7,64
		9.000	10/08	114-07	+8/32	7.16	7.21	7.73
US Treas	ury .	6.250	02/07	99-24	-1/32	6.28	6.41	6.53
		6.625	02/27	100-31	-2/32	6.55	6.70	6.76
ECU (Frenc		7.000	04/06	109.2000	+0.320	5.68	5.82	8.17
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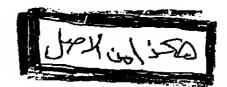
	Open	Sett price	Change	High	Cow	Est vol	Open Int
Mar	132.46	132.68	+0.32	132.94	132.46	157,627	133,713
lun	131.14	131.34	+0.30	131.58	131.14	6.989	17,124
Sep	129.44	129.66	+0.32	129.86	129.44	1,159	1,269
LONG	TERM FR	ENCH BON	D OPTIO	NS (MAT	IF)		
rike	_	CAL				PUTS	
rice	Mer	- Ap	J	un	Mar	Apr	Jun
28	4.66			.67		0.06	0.36
29	3.66			.84		0.13	0.53
90	2.69			.11	0.01	0.28	0.78
31	1.72			.45	0.04	0.55	1.11
12	0.78			.97	0.10	1.10	1.63
. vol. to	Lal. Cats 31.81	3 Puts 54,807	. Previous	dBy's open	im., Calle 157	7,000 Puts 2	06,633.
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lar	103.64	103.71	+0.13	104.04	103.57	219164	245500

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sas /pc 200	1#	6.94	6.77 10033	+₹ 101½	_	в 7% рс 2012-15 в Орс 2015#‡	•••				10433 10733	93 <u>13</u> 95 <del>1</del> 2					
						is opic 22/1277 IS 8 % pc 2017‡‡.			114 <b>}</b>		115		Other Fi	ced Inte	erect		
						s Bpc 2021#	7.4				108,2	55	- 4161 172				
n to Filteen	Years														Yeld		_ 52 mank .
sas 700 2000	<b>#</b>	6.83	6.74 101点	+4 101%	9733									Notes 1	Red P	- 10 + 2 spir	High Lov
	102 3##	8 64 7 56	6.97 112% nd 6.90 1054).	+1 <sub>2</sub> 1135 <sub>2</sub> +1 <sub>3</sub> 105 <u>1</u> 2	1067 <sub>9</sub> 99 <u>31</u>								stan Dev 104 pc : Draw 11 kmc 201			224	1221g 111g
pp 10pc 20d	33	8.64	6.97 115街	+[6 110]5	11/2 Uad					. •	F4.	٠, ا	712ps 11 2pc 201 86ts 13 2pc 200	89⊔	B2 - 1	1321 <sub>2</sub>	1321 <sub>2</sub> 1191
as 111-ac 2	9991⊸4	9.67	6.77 116.3	+ <sup>1</sup> e 1215g	1143x VOT	rots Apc	75		53,5	134	54,2		Merpool 3 <sup>1</sup> 20c km			42	42 374

Price Indices UK Gitts	Tue Feb 16	Day's change %	Mon Feb 17	Accrued interest	xd adj. ytd		- Low Feb 16	Coupon Feb 17	yield — Yr. ago	Media Feb 16	ra coupe Feb 17	n yield Yr. ago	- High Feb 18	Feb 17	Yr. ago
1 Up to 5 years (19)		0,18	121,55	2,54	1,75	5 yrs	6.78	6.84	7.00.	6,84	6.91	7.04	6.88	6.95	7.12
2 5-15 years (21)	153.43	0.31	153.41	2.53	1,53	15 yra	7.25	7.29	7.92	7.25	7.29	7.95	7,26	7.24	8.06
3 Over 15 years (6)	175.95	0.48	175.10	3.52	2.22	20 yrs	7.34	7.38	8.04	7.30	7.35	8.04	7.30	7.26	6.15
4 Irredeemables (5)	204.42	0.89	202.61	3.16	1,00	kred.†	7.42	7.49	6.10						
5 All stocks (51)	147.36	0.30	147.11	2,75	1.77.		10.1.4			• •				٠	
Index-linked			* *					stlation !  6 Feb 1	7 Yr. ag	Δ .		ation 16 B Feb 1	0% 7 Yr. ag	•	
S Up to 5 years (2)	206.52	0.01	206.51	2.30	0,00	Up to 5 yrs	2.9	5 2.9	8 2.40		2.22	2.21	1,06		
7 Over 5 years (10)	200.02	0.00	200.02	0.79	1,81	Over 5 yrs	3,3	5 3.3	3.61		3.14	3,14	3.40		
8 All stocks (12)	199,62	0.00	199.62	0.94	1.61										
Average gross redemptio	quelds are s	hown above. (	Coupon Branc	to: Low: 01	6-79496; Mac	lun: 8%-10%	6; High;	11% and	over. † Pa	at yield, y	yted Year to	daly.			
Average gross redemption FT Fixed Interes			Coupan Bend	to Low: 01	6-79496; Mac				vity In			datę.			
FT Fixed Intere	st Indice					Gilt				dices		Gabe. Feb. 1:	3 Feb	12	Feb.11
FT Fixed Intere	st indice b 16 Feb 17 3.74 96.30 3.18 119.92	%S 7 Feb 14 Feb 96.45 96 119.66 118	13 Feb 1: .56 98.54	92.27 112.27	High' Lo 96,74 91 120.18 110	Gilt 59 Gilt 74 5-day	Edge b	d Acti	vity In	dices 17 28 3.7	Feb 14 104.7 97.7	Feb 1: 85.2 96.6	71	12 1.7 3.8	Feb. 11 86.1 100.4
FT Fixed Intere	st indice b 16 Feb 17 3.74 96.30 3.18 119.92 1997, All right	96.45 96 119.66 118	13 Feb 1: .56 98.54 .43 119.63 for 1996/97.	92.27 112.27 Government	High' Lo 96.74 91 120.18 110 nt Secutition	Gilt 59 Gilt I 74 5-day	Edge Sdged by average applications	d Acti	vity In	dices 17 2.8 5.7	Feb 14 104.7 97.7 (03/01/75)	Feb 1: 85.2 96.6	71 96 dentest	1.7	86.1
FT Fixed Intere	st indice b 16 Feb 17 3.74 96.30 3.18 119.92 1997, All right	96.45 96 119.66 118	13 Feb 1: .56 98.54 .43 119.63 for 1996/97.	92.27 112.27 Government	High' Lo 96.74 91 120.18 110 nt Secutition	Gilt 59 Gilt I 74 5-day	Edge Sdged by average applications	d Acti	vity In	dices 17 2.8 5.7	Feb 14 104.7 97.7 (03/01/75)	Feb 1: 85.2 96.6	71 96 dentest	1.7	86.1
FT Fixed Intere	st indice b 16 Feb 17 3.74 96.30 3.18 119.92 1997, All right	96.45 96 119.66 118	13 Feb 1: .56 98.54 .43 119.63 for 1996/97.	92.27 112.27 Government	High' Lo 96.74 91 120.18 110 nt Secutition	Gilt 59 Gilt I 74 5-day	Edge Sdged by average applications	d Acti	vity In	dices 17 2.8 5.7	Feb 14 104.7 97.7 (03/01/75)	Feb 1: 85.2 96.6	71 96 dentest	1.7	86.1

	T/ISMA INTERNAT													
List	d are the latest international bor	nds for	which 1	here	is an ac	lequale secondary market. Latest pri	oes at 7	7:00 pm	on	Februs	ry 18			
	Issued	Bid	Offer	Chg	Yield	Jesued	Bid	Offer	Chg	Yield	Inqued	Blid	Offer	Chg
	DOLLAR STRAIGHTS					Spain 7 <sup>1</sup> 4 00 4000		111%		4.95		10314	10312	1
	y Nati Treasury 61 <sub>2</sub> 00 1000				6.42				+lg			103 <sup>3</sup> 8		+
BN	Amro Bank 74 05 1000	100	10314		6.88	World Bank 57, 03 3000		105%		4.87	Denmark 8% 98 2 600	100	100 <sup>3</sup> E	
	on Dev Bik 73g 23 500 to Province 75g 88 1000		103½ 102¾		7.14 5.94	World Bank 6 <sup>1</sup> 2 02 3000 World Bank 7 <sup>1</sup> 2 05 3000	107			4.87	Depta Finance 718 00 £ 500	98 *		+18
	Dev Bank 64, 06 750		983		6.56	1100 Dan 1-8 03 300)	111-2	1117		5.34	ER) 8 00 2 1000 Finland 7 00 5 500	104 2	1043	+4
	is 8½ 00 400		1083		6.10	SWISS FRANC STRAIGHTS					Gipto Welcome 83, 05 £ 500	1074	1007 <u>1</u> 1075	448
edi	n-Wuertt L-Fin 61, 00 1000	105 <sup>1</sup> 8	1053		6.15	Asian Dev Bank () 18 500	424	43/2	4	4.65	HSBC Holdings 11.69 02 2 153	117-		+4
ent	omext 74 04 1000 Ned Gerneenten 7 99 1000	23	933			Austria 4 <sup>1</sup> 2 00 1000 Denmark 4 <sup>1</sup> 4 99 1000	1054	10512		231	Rely 103 14 £ 400	125%		J,
			1024		5.99	Denmark 44, 99 1000	1054	1054	+10		Jacon Day Pik 7 DT P 200	1003.		44
aye	Vereinsbk 61 <sub>8</sub> 00 500	10218	105¼ 95¾		6.16	EB 31, 99	1034	103 <sup>3</sup> B		2.03	Land Secs 912 07 £ 200	112	1124	44
2	um 5½ 00 1000	1057	1084	1-	6.31 6.40	EIB 6 <sup>3</sup> , 0 <sup>4</sup> 300 Finland 7 <sup>1</sup> 4, 99 300	1131	117		4.18	Ontario 11 <sup>1</sup> 1 01 £ 100	1131	1133	+18
de	h Columbia 7 <sup>3</sup> 4 02 500 h Gas 0 21 1500	165e	17		7.53	HELABA FINANCE 34 00 1000	105L	112 <sup>1</sup> 2	ᆚ	2.40 2.34	Powergen 87, 00 £ 250 Severn Trent 1112 99 £ 150	10618		+1,
376	da 63 05 1500	9914	991,	ュ,	6.60	iceland 75 00 100	116	ICO-B	-4	2.70	Tolor Stee Prove 14 Or C	10912		+4
he	da 6 <sup>1</sup> g 05 1500 ng Kong Pin 5 <sup>1</sup> 2 98 500	984	9812		6.65	lociand 75 <sub>8</sub> 00 100 lnter Amer Dev 43 <sub>4</sub> 00 600 Creario 51 <sub>4</sub> 03 400	1084	109%	ᆚ	3.15	TONZ Fin 914 (2 NZ\$ 75	11312	1134. 1074	
hir	16 <sup>1</sup> 2 04 1000	9818	9834		6.96	Ontario 6 <sup>1</sup> 4 03 400	1164	11612	7	320	World Bank 9 99 NZS 250	10074	102%	-
red	Foncier 81 <sub>2</sub> 98	106³g	1065g		6,04	Quebec Hydro 5 08 100	1031	1047		4.56	Credit Local 6 01 FFT 8000	1061	106 <sup>3</sup> a	
en	nork 54 98 1000	100	1001		5.75	ENICE 7 CA ARO	1221-	123	44	3.58	Denmark 512 99 FFr 7000	1043 <sub>R</sub>	1045g	ľ
ast	Japan Railway 65g 04 600	100	1004		6.62	Sweden 44, 03 500 World Benk 0 21 700	10014	10812		3.15	Elec de France 8% 22 FFr 3000	130 <sup>1</sup> n		+30
В	04500	98 <sup>1</sup> 4	985g 1033g	7	6.31	World Benk 0 21 700	3214	3212	472			•		
	de France 9 98 200 Bank Japan 8 02 500	107	107%	4	3.09	World Benk 7 01 600	1164	116 <sup>1</sup> 2		271	FLOATING RATE NOTES			
200	t Dev Corp 912 98	1045	104%	-	5.82	YEN STRAIGHTS					bened	Bld	Offer	r - 1
000	Capital 0 04 1800	617	624	412			1114	1114	4	0.99	Abboy Nati Treasury -1 99 _ 1000	99.95	100.02	,_
at i	tome Loan 71 189 1500	10212	1023	يد.	6.09	Belgium 5 99	1137	1144	41,0	2.04	Argentaria Global Fin 0.01 700	99.65		
de	al Nati Mort 7.40 04 1500	10572	1053	ᅸ		EB 6% 00 100000	117	1175	•	0.98	Bankamerica 1, 99 750	99.96	100.08	
mi		1003 <sub>8</sub>	10012		5.85	Ex-im 8ank Japan 43 00 105000	1137	11412		211	Carada -4 98 2000	99.75	99.84	
ene	rai Mille 0 13	264	274	-3 <sub>2</sub>		Fed Nat Mort 2 99 100000	103	1031g	44		CCCE 0 08 Ecu 200	89.70	69.99	
8 H	Mence 54 98 850	95%	99 98	.1	5.99 6.54	Inter Amer Dev 714 00 30000	11912	1193		1.09	Commercial O'S Fin -1 98 750	99.83	99.92	
	Arrier Dev 8 <sup>1</sup> s 08 1000	1053	1057	414	5.58	Baly 3 <sup>1</sup> 2 01 300000 Baly 5 04 200000	1177	106 <sup>3</sup> 4 116 <sup>3</sup> a		1.56	Credit Lyonnois 1 00 300 Drescher Promos 1 98 DM _ 1000	96.20 100.00	96.50	
8 8	Armer Dev 7 <sup>1</sup> 2 05 500 nance 5 <sup>1</sup> 4 99 500	99	991,	1-8	5.82	Japan Dev Bk 5 99 100000	1105			2.48	Fest Not Mort -2 00 1000	99.80	100.05 99.80	
aly (	7 <sub>1</sub> 23 3500 Dev Bk 6 <sup>3</sup> <sub>8</sub> 01 500 Bec Power 6 <sup>3</sup> <sub>8</sub> 03 1350	9814	9812		6.43	Japan Dev Bk 612 01	122	1224		1.50	Fintend 1 <sub>2</sub> 99 1500 Halliax BS 0 98 500 Mil Sank Intl 1 <sub>4</sub> 99 500	99.98	100.04	
dy f	7 23 3500	95%	9714		7.27	SNCF 63, 00 30000	117	1174		1.03	Hallian BS 0 98 500	100.09	100.17	
the s	Dev Bk 63 01 500	1074	107%		6.30	SNCF 61; 00 30000 Spain 51; 02 125000 World Bank 51; 02 250000	11952	1197			Mi Sank int 4 99 500	100.43	100.53	
OTE	Hec Power 6-8 (3) 1350	9/48	984 1044	-,4	8.68	World Bank 514 02: 250000	117%	118	+18	1.59	1500 15 St	100.43	100.50	
-	shita Blec 714 02 1000 to 73 03 3000	1045	1044		6.50 6.53	OTHER STRAIGHTS					UKB Baden-West Fin -L 98 , 1000	100.24	100.31	
	to 7% 02 2000 Kontrollbank 8½ 01 200	1064	10812		6.44	EBRD 144, 98 R 250	98	100	<b>.</b>	15.31	Lloyde Sank Perp 6 0.10 600	99.94 89.50	100.00 30.50	
ster	Kontrollbank 8 <sup>1</sup> 2 01 200	107%	108			World Bank 15 99 B 500		100%	3	14金	Malaunia A DS	99.B2	100.00	
The	gal 5% 03 1000 sc Hydro 9% 98 150	964		-Ja	6.45	World Bank 15 99 R 500 Austre 6 <sup>1</sup> 2 99 Fl 1000	1054	105%	•	3.74	Nova Scotia & 99 500	98.89	100.05	
ueb	sc Hydro 93, 96 150	1054	1051		6.19	PTT Nederland 612 05 R 1300	107	1071	44		CHESTO U 98 2000	100.18	100.24	
ueb	ac Prov 9 98	10318	10314			Bel Canada 10 8 99 C\$ 150	113		4	4.76	Portugal 14 99 DM	100.30	100.36	
0	9 <sup>1</sup> 2 98 200 6 <sup>1</sup> 2 99 150	106-2	1067 <sub>8</sub>		6,47	British Columbia 7 to 00 CS 1250		1104	4		Cuebec Hydro U 98 600	98.78	. 29.92	
-	61, 99 1900	1012	101%	1-	5.96 5.95	Canada Mig & Hag 84, 99 CS . 1000	1085g		7	4.58	Florate 0 98 500 Span 02 DM 2000	99.85	100.00	
_	en 8h 03 2000	1011	1012	-8	6.37	E88 10 <sup>1</sup> s 96 CS 130 Esc de France 9 <sup>2</sup> s 99 CS 275	1447	108% 112%	1.	3.64		100.09 100.00	100.16	
100	en 8 <sup>1</sup> 2 03 2000 essee Valley 8 03 1000 essee Valley 6 <sup>1</sup> 2 05 2000	291	99%		6.17	KW ht Fir 10 01 C\$ 400	1165	112 <sup>1</sup> s	I	499 5.32	Sweden - 201 2001	99.99	100.13	
m	ssee Valley 6 <sup>3</sup> s 05 2000	9914	9912	ᅸ	6.60	Nippon Tel Tel 1014 99 C\$ 200	113%	1135g	3	4.77	Sweden - 2000	99.87	99.91	. ;
kyc	Elec Power 64 03 1000	994	895	J,	624	Ordanio 8 03 CS 1500	1111	111%	٠.	5.86				•
yot	Motor 5% 98	997	100	-	5.86	Ontario Hydro 107, 98 C\$ 500	112%	11312		4.36	CONVERTIBLE BONDS		٠.	
ile	Kingdom 6% 01 2000	102 9	1024		6.04	Oster Kontrollbenk 104, 99 CS 150	1124	1134	4	4.59		MM.		
-	Kingdom 74, 02 3000 Kaney 6 <sup>3</sup> g 01 1300	105 <sup>1</sup> 8	10514	ᅸ	6.17	Qualified Hydro 7 04 C\$ 1000	100	104%	- <b>1</b> 8	6.30	issued P	1000	Bid Offi	
	Asney 6-9 01 1300	1004	1003		6.40	Cuebec Prov 10 <sup>1</sup> 2 98 C\$ 200	110%	1105	ᅸ	431	Alled-Lyons 83, 08 £ 200		51, 961	_
UIK	Bank 6 <sup>3</sup> 2 05 1500 Bank 6 <sup>3</sup> 2 98 1500	994	100	.1	6.50	Council Europe 9 01 Ecu 1100	1161,	1174		4.94				
uik	DEK 0-3 30 1300	TOO	IQI	4,4		Credit Fonder 63 04 Equ 1000		114%	-	5.84	CURL REMODERAL 745 (M) CR	197 40	ml. as	
31	SCHE MARK STRAIGHTS					Denmark 812 00 Ecu 1000 EC 6 00 Ecu 1100	115%	116		5.00				
	6 <sup>1</sup> 2 24 2000	101L	109	J.	696	EC 5 (0 85) 11(0	105-2		4				al gal	•
da	-Wuert L-Finance 6 98 _ 2000		1084	7	361	ERS 10 01 Scu 1150	1101	119 <sup>1</sup> 2 116 <sup>1</sup> 8	1.	4.34	Land Secs 834 02 C 84	A72 1	173 11	8
edil	Foncier 7 4 03 2000	11017	1104	مله	5.17	Entrol 20 11 For 9500	1971-	129	J.	230	Lasmo 7% 06 2 90	5.64	95 9	
TETT	ark 6 <sup>1</sup> g 98	1031	1031		132	Finland 8 <sup>1</sup> 2 07 Ecu	110	11872	-	4.51	Land Seep 83, 12 2	22 -1	100 100 <sup>1</sup>	
pta	ark 6 <sup>1</sup> g 98	105%		ᄺ	520	United Kingdom 91, 01 Ets 2750	1164	1163					Q <sup>1</sup> 2 62 <sup>1</sup>	
WC.	he Bk Fin 7선 03 2000 ·	11112	111%		521	ADC 10 98 AS 100	1065	1071					94 9	5 1
ub	he Finance 54, 04 2500	10312	103%	ياب	5.14	Comm B. Australia 134, 99 A\$ _ 100	11512		4	6.96	Service Carinal 2 00	097 1	118 711	9
C	2900		1073	_	3.94	EBS 71, 99 AS350		1044	+3	6.26	Perveni 41, 03 500 56.6 Sandoz Capital 2 02 750 1300 Sappl SM Finance 71 <sub>2</sub> 02 250	226 .1	112 1124	
	, 00 1500	1051	1097		3.96	NSW Treasury Zero () 30 AS 1000	17	175	+				84	
m	7/2 00 3000	1094	110	4	392	R&IRank73 ntas 125	นอไ	1024	44	7.26	Sepporo 1 2 00 40000 100 Surnitorio Bank 3 2 04 300 381	M = 10	na 101,	ı, i
w I	nti Finance 6 <sup>1</sup> 4 03 2250 bolen Wuert 6 <sup>1</sup> 2 08 2250	1061 <sub>2</sub>	1065		5.07	State Bk NSW 9 02 AS 300 Sth Aust Gove Pm 9 02 AS 150	107	107%	-			Prin St	7% 89% By 129%	8 .
a E	Berton, Mineriff F.L., (No. 1998)	106	1001			<b>A</b>	100%					3.9 121 505 90		





# bunds

#### **CURRENCIES AND MONEY**

# Dollar weakens on profit taking

MARKETS REPORT

dealing

By Wolfgang Münchau

The US-dollar yesterday halted its rise against the D-Mark, though not before breaking through the DM2.70 level first. Currency analysts said the sudden change of mood was due to profit tak-ing, and should not deflect from the dollar's fundamental strengths - or rather tha D-Mark's weakness.

In London, the dollar ended down 0.8 pfennigs at 1.6914, having intermittently touched DM1.7050 in earlier Asian and European trading.

Yesterday was generally a day of D-Mark strength against currencies both inside and outside Europe's **M** Hardly a day goes by exchange-rate mechanism. The German currency gained most against sterling, helped by expectations that UK interest rates would not rise until the summer. Sterling closed at DM2.7087. down by 3.8 pfennigs. Ster-

Europe Austrie Belgium Denmari Finland France

Geneda (CS) Mexico (New Peso) USA (S)

THE WAY

 $x_{i+2}, y_{i+1}$ 

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Acres 1

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F TO 37

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ling also weakened against somewhere inside the EU the dollar, closing at \$1.6015, that Italy may not be fit to down by 1.5 cents.

tainties over Italy's pro6the single European currency might get off to a better start rency. The Italian currency without Italy added to yesfell through its central L990 parity against the D-Mark, about the Italian currency. closing at L993.7, from L987.3 the previous day.

less action on the yen exchange rates. The dollar was slightly weaker against the Japanese currency, closing at Y124,100, down by

without a warning from a mini-budget was "very

■ Poqu	d in New Y	fork .
Feb 1\$	Latest	Prev. chase
£ spot	1.6005	1.6220
1 mHz	1.5996	1.6210
3 mith	1.5775	1,8189
1 yr	1.5875	1.6080

One month Rate %PA

join the first wave of coun-The D-Mark rose strongly tries in the single European against the Italian lira currency. A reported and because of the latest uncerlater denied warning from later denied - warning from Mr Alfons Verplaetse, the pects of meeting the Maas-tricht Treaty's criteria for nor, that the single currency

Italy's chances of meeting the Maastricht deficit crite-There was comparatively rion or rather the chances of approaching that target will depend crucially on the Italian government's ability to force through a mini-budget, which would result in a tightening of fiscal policy. Mr Romano Prodi, the Italian prime minister, said that probable". But it is uncertain whether he can find a

2.7 8.8783

2.9 3.1

about the Italian currency.

Against the D-Mark (Lire per DM)

proof of Italy's commitment markets' optimism. to fiscal stability.

10 11 12 13 14 17 18

Feb 1997

Meanwhile, a reported . and also denied - comment is going to challenge the govby Mr Prodi that Germany may be in danger of missing vided some entertainment in parliamentary majority for the currency markets but further tightening, and fundamentally failed to dent whether Italy's EU-partners the market's increasingly would accept a last-minute dim view of the lira-D-Mark exchange rate. tax increase as sufficient

September futures contract was up by 8 basis points at 93.37 in late afternoon trading, as the markets further ruled out the prospect of a near-term rise in British interest rates. Mr Tony Norfield, London-

based currency economist at ABN Amro, said that yesterday's strong figures showing a larger than expected UK public sector debt repayment and the previous night's failure of a vote of censure in the British parliament preted yesterday's D-Mark against a senior member of the government added to the

He said "the vote makes it seem less likely that Labour

Feb 18		ē	RENC		9	
	45.4972	-		78 4190		28 4490
Hunoury			280,129			
kan			4803.00			
Kowalt			0.4859			
Poland			4.8637			
Hearin.			9070.52	5680,00		5662.00

11,8886 34,854 6,4503 5,0259

266,955

34,8950 6,4516

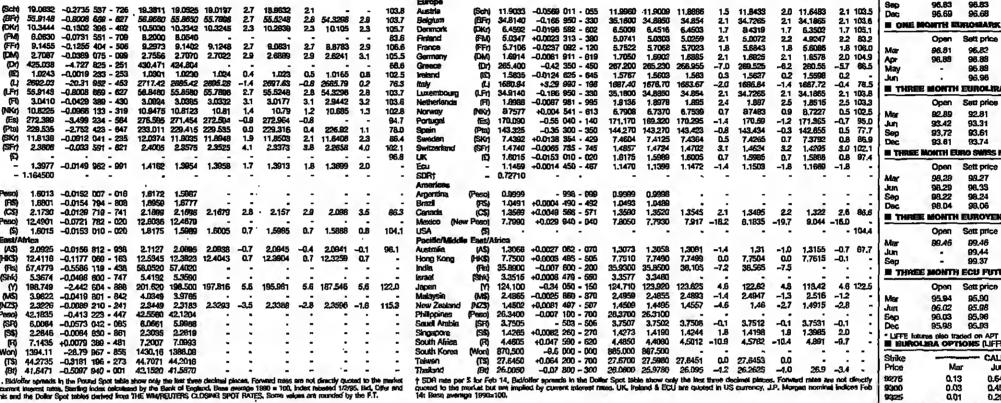
5.0741 5.7522 1.7050

267,200 265,230

MONEY RATES

Over

Τ	7							uight	month	mths	miths	year	inter. r	ate_	rate
-						Belgium		3,2	3%	31%	3.	33	6.00 2	2.50	
						France		33	38	3&	31.	3.	3.10	-	4.75
E	nimen					German	y	314	92	34	32	314	4.50 2	.50	3.00
			ket no			keland		5%	54	54	55	574			5.25
t	hat Jol	מם מב	ajor wi	ll ge	t his	Italy		71/2	7%	7%	7%	65.		.75	7.41 3.30
1	Mav ek	ection	ı date.	Is 1	here	Netherla		55	25	20	. 3	315		.00	3.30
			an inte			Switzeri	and	14	12	153 5%	1% 5%	12 5%		.00	Ξ
-			May?			US		5%	55		977	37		1.50	
						<u>Jaben</u>		<u> </u>	<u>, vč</u>	<u> </u>			<del></del>		
			govern				OR FT L								
			land] ji				k Fitting	-	5%	53	52	54	-	-	-
1	iew Lai	bour	govern	men	? Of	US Dolla		-	5.12	5.14	5.18	5.30	-	-	
0	ourse i	aot."				SDR Lin		-	4%	4 <u>).</u> 3%	4 <u>.</u> 3.	4 ½ 3 <u>**</u>	-	-	
			as thu	s 10:	oth.			<b>-</b>	35						
			ected t		-	5 UROR	transfer at	k 754140; mai	inde erre o	mered no o dev. T	tes for S he honic	nom que	ted to the s Hvera Trust,	namu Bank	of Tokyo
						Mitsubish	s. Barrier	s and Nati	onel West	uninster.					
_			present	16A	er or	Mid rates	the spont	tor the do	mestic Mo	ney Rabes	, US\$ CD	e, ECU &	BOR Linked D	Асроэ	its (Det.
t	ase rat	es.				Elle/	) CI	RREN	Y IN	TED	ECT I	PATE	2		
															-
1	Curre	ncy s	strategi	sts i	nter-	Feb 19		Short	7 day		One	Three	Sb. months		One
			erday's			l ——		term	notic		nonth	months			year
-			strictl			Belgian i		3층 - 2%	3.3 - :	3½ 3¦	- 3,6	3/2 - 3/1	, 3 <sub>1</sub> , 3 <sub>4</sub>	<u> 3</u>	عاد - با ا
						Danish N		314 - 34		3 <u>1</u> 3 3 1	, - 3 <sup>1</sup> 2	35 <sub>8</sub> - 31	312 - 35		년 - 3년
			med to			German		3.6 • 3.6		34 3/1	- 3/6 - 255	34 - 25		3	냠 - 3냠
t	he cha	unces	of a s	susta	ined	Dutch G		3 - 2提	3 - 2	经 23	237	3 - 27	3/2 - 21	3	7 - 3 a
r	ise in t	the G	erman	CULT	ency	French F		34 - 34	3,5 - :	3 <u>%</u> 3%	3, .	34 - 33	3, 3,	9 3	¥ 34
Í	n the r	ear t	erm.				sse Esc.		6	6 <u>7</u> 63	6 <sup>1</sup> 4	64 - 64	538 - 5	. 5	∰ - 5-4
•			ange i	n we	rka+	Spanish	Pesata	터를 - 6월			632	642 - 54		3 5	4 - 54
_						Storting		5월 · 5월	6lg -			6 <sup>1</sup> 2 - 6 <sup>3</sup> 1		, D	년 - 6 € 号 - 1 €
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ŧ	owards	eco	nomic	reco	verv	US Dolla		54 - 56	544 - 1	5,2 5,4		514 - 51			}} - 64 21 - 64
	n Germ				,	Italian U		9 - 7		733 74	- 7.7	7): - 73	7, - 71	9 0	
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			nch d			Asian SS		3 278			2 <sup>5</sup> 8	3 - 27		2 3	M - 3-8
E	Bundesi	nank	is in no	zog (	ition								lays' notice	rate	
t	o raise	inte	erest r	ates	and	THAT	- <del></del>	110 1980	N PUT	OPES (I	WALE PA	DIS BITCHTO	ank offered		
_	_		ort the				Ope	en Sett	price C	талде	High	Lou	Est. v	ol C	pen int.
	xchang					Mar	96.	70 96	.69	-0.01	96.71	96.6	9 6,788	3	63.999
-	والتصالية	e ran	€-			Jun	96.7			-0.02	95.76	96.7			48,606
						Sep	96.	73 96	.71	-0.02	95.74	96.7	1 3.270	5	35,987
۰		_													2004
					-	= THR	EE MOI	THEUR	UMARI	LUTU	HES (LI	HELL DIM	1m points	01 1	UU70
			C		Manage .		Opt	en Sett	pnce C	hange	High	Low	Est. v	ol C	open int.
	Three me		One year			Apr	96.			-	95.88	96.88	800		4910
`_	Rate	%PA	Rase	%PA	II ICHEX	Jun	96.				96.90	96.88		5	176977
						Sec	96.1				96.84	96.82			150314
.5	11,8433	2.0	11.6483	2.1	103.5	Dec	96.0				96.69	96,68			170308
.1	34.7265	21	34,1865	2.1	103.6										
.7	84319	1.7	6.3502		105.1	ORE	-		ANK F	o i dike	- Irilat	1 PMSIII	points of		<u>~</u>
.1	5.0072	22	4.9247	2.2	83.2		Ope	en Sett	price C	hange	High	Lou	Est. v	ol C	open int.
B	5.6843	1.8	5.6085	1,8	106.0	Mar	96.8				96.82	96.81	3151		17878
.1	1.6825	2.1	1.6578		104.9	Apr	96.8				96.88	96.87			2793
O.	269.525	-62	280.55	-5.7		Mav	90.0	96. 96.			20.00	80,01	, ,,,		3812
3	1.5627	0.2		0.2				96.				_	0		430
ō.	1686.84	-1.4		-0.4		Jun							•		
.1	34.7265	2.1	34.1865	21		THR	er Moi	TTH EUR	OLIRA	PUTUR	SS (LIFF	E) L100	Om points	Di 10	W 196
4	1.897	2.5	1.8515		103.3		Opt	en Sett	price C	hanne	High	Low	Est. v	ol C	per int.
7	87483	0.9	8.7227		102.5	Mar	92.		•	-0.08	92.91	92.78			94546
Ä	170.59	-1.2	171.965	-0.7	95.0	Mar									85600
ŝ	143,434	-0.3	142.655	8.5	77.7	Jun	93.4			-0.11	93.45	93.26			
2	7.4265	0.7	7.3792	0.8		Sep	93,7			-0.11	93.73	93.55			47261
~	( A200	U.7	1-31-32	U.B	00.8	Dec	93.0	B1 93.	74	-0.15	93.93	93.6	1164	5	33275



DOLLAR SPOT FORWARD AGAINST THE DOLLAR

-0.166 950 - 330 -0.0196 582 - 602 +0.0023 313 - 380

-0.42 350 - 450

93.61 93.74 -0.15 93.93 93.68 11843 33275 III THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SF1m points of 100% Est. vol Open int. 98.28 98.33 98.24 98.06 98.24 4777 29328 35451 +0.03 +0.03 +0.03 98.27 98.19 97.99 13910 10059 1628 835 MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100% Sett price Change Hìgh Low Est, vol Open int. 99.48 99.46 100 REE MONTH ECU FUTURES (LIFFE) Eculm points of 100% Sett price Change High Low Est. vol Open int. 95,90 95,88 95,99 95,93 -0.03 -0.03 -0.04 -0.04 95.94 694 509 240 82 10770 led on APT ONS (LIFFE) L1000m points of 100% 0.64 0.45 0.29 0.97 0.07 0.08 0.11

#### CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES** BFr DKr FFr NK

Belglum	(BFr)	100	18.49	16.36	4,845	1.892	4815	5.439	19.35	487.2	410.5	21,30	4.223	1,789	3.887	2,865	355.4	2,500	
Denmark	(DKir)	54.07	10	6.845	2,620	0,990	2603	2.941	10.46	263.4	222.0	11.52	2.283	0.967	2.102	1,549	192.2	1.352	
France	(FFr)	81.13	11.31	10	2.962	1.120	2943	3.325	11.83	297.B	250.9	13.02	2.581	1.093	2,376	1.752	217.3	1.529	
Germany	(DMI)	20.64	3.617	3.376	1	0.378	993.7	1.123	3.994	100.9	84.72	4.396	0.672	0,369	0.802	0.591	73.35	0.516	
reland	(IE)	54.60	10,10	8.932	2.645	1	2629	2.970	10.57	266.0	224.1	11.63	2.306	0.977	2.122	1.564	194.0	1.365	
taly	(L)	2.077	0.384	0.340	0.101	0.038	100.	0.113	0.402	10.12	6.525	0.442	890.0	0.037	0.081	0,060	7.381	0.052	
letherlands	Ė	18.39	3.400	3.008	0.891	0.337	885.2	1	3.558	89.58	75.47	3.919	0,776	0.329	0.715	0.527	85.34	0.460	
Norway	(NKr)	51,67	9.556	8.453	2.504	0.946	2488	2.611	10	251.B	212.1	11.01	2.182	0.924	2.008	1,481	183.6	1,292	
ortugal	(Es)	20.52	3.796	3.358	0.994	0.376	986.3	1.116	3.972	100.	84.25	4.372	0.867	0.367	0.798	0.588	72.94	0.513	
Spain	Ptal	24.36	4.505	3.985	1.180	0.446	1173	1,325	4.715	118.7	100.	5.190	1.029	0,436	0.947	0.698	86.58	0.609	
Sweden	(SKr)	46.94	8.682	7.679	2.275	088.0	2260	2.553	9.085	228.7	182.7	10	1.982	0.840	1.825	1,345	166.8	1.174	
Switzerland	(SPr)	23.68	4.380	3.874	1.147	0.434	1140	1,288	4.583	115.4	67.20	5.044	1	0,424	0.920	0.679	84.19	0.592	
JK	(5)	55.91	10.34	9.146	2.709	1.024	2692	3.041	10.82	272.4	229.5	11.91	2.361	1	2.173	1.602	198.7	1.398	
Canada	(CS)	25.73	4.758	4.209	1.247	0.471	1299	1,399	4.879	125.4	105.6	5.481	1.087	0.460	1	0.737	61.44	0.643	
JS	(5)	34.90	6.454	5.709	1.691	0.639	1680	1.898	8.754	170.0	143.3	7.434	1.474	0.624	1.358	1	124.0	0.873	
lapan	M	28,14	5.204	4.603	1.363	0.515	1355	1.530	5.445	137.1	115.5	5.994	1.188	0.503	1.094	0.806	100.	0,704	
CIL		39.99	7.396	6.542	1.938	0.732	1926	2.175	7.740	184.8	164.2	8,519	1.689	0.715	1.554	1.146	142.1	7	
anish Kroner,	French Fr	anc. Non	eeglen Kro	mer, and	Swedish .	Kronor per	10; Bolg	ian Franc	Yor, Esc	utio, Lira	and Pege	ta per 100	L						
			-																

Jun 0.5952 0.5935 -0.0038 0.5958 0.5900 346 5.5 Sep - 0.5965 -0.0045 - 0.5965 187 2.2 ■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr  Mar 0.6830 0.6788 -0.0062 0.6831 0.6749 13,592 47,1 Jun 0.6880 0.6849 -0.0058 0.6890 0.6810 180 3.1		Open	Latest	Change	High	Low	Est vol	Open int
1.611	Mar	0.5919	0.5899	-0.0040	0.5827	0.5875	18,597	90,476
Sep - 0.5965 -0.0045 - 0.5965 187 2.2  ■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr  Mar 0.6830 0.6786 -0.0062 0.6831 0.6749 13,592 47,1 Jun 0.6880 0.6849 -0.0058 0.6890 0.6810 180 3.1		0.5952	0.5935	-0.003B	Q.595B	0.5900	346	5,914
Mar 0.6830 0.6786 -0.0062 0.66831 0.6749 13,592 47,0 Jun 0.6880 0.6849 -0.0058 0.6890 0.6810 180 3.1		_	0.5965	-0,0045	-	0.5965	187	2,293
Jun 0.6890 0.6849 -0.0058 0.6890 0.6810 180 3.1	■ 5WH	S FRANC F	UTURUSS	(IMM) SFr	125,000 p	er SFr		
Juli 0.000	Mar	0.6830	0.6788					47,803
Sep - 0.6910 ~ - 0.6910 5 1,9	Jun	0.6890	0.6849	-0.0058	0.6890			3.151
	Sep	-	0.6910		-	0.6910	5	1,963
UK INTEREST RATES	UK	INTERE	ST RA	TES				
		ON MO	NET M	7 days	One	Three	Six	One

Feb 19	Over- night	7 days	One	Three months	Six months	One
Interbenk Sterling	6 <sup>1</sup> 2 - 5	6 <sup>1</sup> e - 5 <sup>1</sup> / <sub>2</sub>	54 - 9	616 - 618	614 - 615	614 - 616
Sterling CDs	-	-	66 - 66	64 - 64	85 - 65	$6_{16} - 6_{12}$
Treasury BRIS		-	5% - 5%	54 - 51		-
Deal Dille		-	5階 - 5%	9 - 5	614 - 61g	
Local authority deps.	616 - 516	616 - 616	914 - 618	614 - 618	63g - 6 <u>7</u> g	615 - 616
Discount Market deps	61g - 512	6 - 53		•	-	-
UK clearing benk base	lending n	ate 6 per d	ent from C	October 30	1996	
		Up to 1	1-3 month	3-6 months	6-9 months	9-12 months

Certs of Tax dep. (£100,000)	212	5 <sup>1</sup> 2	5	5	434
Certs of Tex dep, under \$100,000 is Ase, tander rate of discount on Feb. up day Jan 31, 1997. Agreed rate Parference rate for period Jan 1, 199 House Bese Patte 6 <sup>1</sup> 2pc from Feb 1.	period Feb 7 to Jan 31.	26. CUASU 100	Mar 25, 19	97. Scheme	
THREE MONTH STERLIN	o FUTUR	es (LIFFE)	2500,000	points of	100%

Mar	93.73	93.72	+0.02	93.74	93.72	16659	102396
TILD.	93.52	93.54	+0.07	93.58	93.52	33285	118210
Sep	93.34	93.38	+0.09	93.42	93.34	33190	85901
Dec	93.22	93.25	+0.00	93,31	93.22	21265	57143
Mar	93.14	93.19	+0.09	93.23	83.14	6261	38455
		Open inter				100%	
Strike		CAL			Mar	PUTS	Seo
Price	M	ar Ju		Sep .			•
on En	0.2	3 0.1		17	0.01	0.12	0.29

0.04 0 male 16849 P	0,02 Nats 16558. F	0.03 Previous CRIY's	0.28 open int., C	0.48 alla 196985	0.65 Puts 16477
					<del></del>
В	ASE LE	NDING	RATES		

Est. vol. total, C

					4
	- %		%		_
Adem & Company	6.00	Duncan Lawrie	6.00	Royal Bit of Scotland 6.0	
Allied Irish Bank (GB)		Exeter Bank Limited	7.00	eSinger & Friedlander 80	
	6.00	Financial & Gen Bart	k 7.00	Smith & Wilman Secs 6.0	
OHenry Ansbacher		eRobert Flerning & C	20.80	Scottish Widows Bank 6.0	
Bank of Baroda	6.00	Guinness Mahon	6.00	TSB 82T	
Banco Bibac Vizcaya		Habib Bars, AG Zunc	n 6.00	United Bank of Kowalt 2.0	3
Bank of Cyprus	6.00	eHambros Bank	6.00	Unity Trust Bank Pic 6.0	3
Sank of Ireland	6.00	Hertable & Gen Inv E		Western Trust 6.0	
Bank of India	6.00	ei-Bi Samuel	8.0	Whiteway Lacter 6.0	0
Bank of Scotland	6.00		6.00	Yorkshire Bank 6.0	a
	6.00	C. Hoare & Co		TORSIES DELL	-
Barcleys Bank	-	Hongleang & Shangha			
Rrig Elik of Milito East	8.00	Investor Bank (UK) L	MB.D0	<ul> <li>Members of London</li> </ul>	
Billiown Shipley & Co Ltd.	6.00	Julian Hodge Bank	6.00	investment Banking	
Stibank NA	6.00	@Leopold Joseph & Son	s 6.00	Association	
Zydesdale Bank	6.00	Licyds Bank	9.00	" in administration	
			6.00		
The Co-operative Bant		Midland Bank			
Course & Co	6.00	NatWestminetor	8.00		

	Open	Latest	Chang	e High	Low	Est. vol	Open int
Mar	0.8060	0.8086	+0.000	6 0.8094	0.8048	13,718	78,319
Jun	0.8130	0.8191			0.8130	612	3,719
Sep	_	0.8302	-	-	0.8262	70	674
STERLE	NG FUTU	RES (IA	M) 262,5	00 per 2			
Mar	1.6202	1,6016	-0.021	6 1,6218	1.5984	5,400	33,994
Jun	1.8110	1.5970		2 1.6110	1.5962	146	2,732
Sep	_	1.5940		_	1.5940	1	1,058
EMS E	JROPI	EAN (	CURRE	ENCY U	NIT RA	TES	
Feb 19	Ecu c		Rate	Change	% +/- from		
	rate	s age	inst Ecu	on day	con. rate	v week	
Finland	5.854		5.20749	+0.01602	-0.60	2.86	
Portugal	197.3		96.295	-0.097	-0.56	2.65	
ireiand	0.7987			+0.002673	-8.27	11.27	
Spain	163.8		65.445	+0.05	0.99	1.07	
Netherland			2.19273	-0.00188	1.06	1.01	
italy	1906.		933.08	+2.68	1.40	0.67	
Denmark	7.345	55 7	.44988	-0.00339	1.42	0.64	
Germany	1.925	73 1	.95320	-0.00195	1.43	0.64	
Austria	13.54		3.7452	-0.0142	1.45	0.61	
Belgium	39,71	91 4	0.3110	-0.0308	1.49	0.57	
France	6.458	63 8	3.59253	-0.00445	2.07	0.00	-17
NON ERM	MEMBER	8					
Greece	295.2		05.731	-0.097	3.54	-1.42	
UK	295.2 0.7931	69 3 03 0.	714871	+0.002642	-8.96 to determine	13.24	-
UK	295.2 0.7931	69 3 03 0.	714871	+0.002642	-8.96 to determine	13.24	-
UK Ecu central rate Percentage cha between two as countral rate. 17:	295.2 0.79310 se set by the inges are for preads: the p the maximum /9/92. Sharfin	69 3 03 0. European European Percentage percentage permittaci ng sumpens	7 14871 Commission ables change difference is percentage and from EPI	+0.002642 n. Currencies at each colorest the ac- deviation of the Adjustment	—8.96 are in descendingly, customers, but market im the cumminest im to culturally by the customers of the c	13.24 ng releave at thergence sh d Ecu centra merket man fr the Financial acuncit	-
Greece UK Ecu central rate Percentage chi between two as common, and a committal rate. 17.  PHILAD Strike	295.2 0.79310 se set by the inges are for preads: the p the maximum /9/92. Sharfin	69 3 03 0. European Ext a po remitted permitted of auspend	7 14871 Commission ables change difference is percentage and from EPI	+0.002642 n. Currencies at each colorest the ac- deviation of the Adjustment	—8.96 are in descending currency.D and market im no currency's r calculated by cents per po	13.24 Ing religible of frequence sh d Ecu centra mentet man fr the Financial curud) PUTS	renge. outs the ratio rates for a om its Ecu Titnes.
LIK  Bou central rate Percentage cha between two as currency, and it control qua. 17.  PHILAD  Strike	295.2 0.79310 se set by the inges are for preads: the p the maximum /9/92. Sharfin	69 3 03 0. European Fig. z po percentiga permittec SE 2/8	7 14871 Commission obtwo change difference is percentage and from EPI	+0.002642 n. Currencies at each colorest the ac- deviation of the Adjustment	—8.96 are in descendingly, customers, but market im the cumminest im to culturally by the customers of the c	13.24 rig releasive at the gence sh d Eau central merical man fr the Financial council Mar	rength. out the ratio rates for a om to Ecu Times.  Apr
UIK Edu central rati Percentage chi between two as contral gala. 17.  PHELAD Strike Price	295.2 0.7931/ se set by the ingest are for predict the p be manifour /9/92. Secrit	69 3 03 0.3 European European Ferra por Percentege I permitted In gampen SEE 2/8	7 14871 Commission characteristic difference is percentage and from ERI COPTIONS	n. Currencies in denotes a septeen the ac deviation of the Adjustment is £31,250 &	—8.96 are in descending currency.D and market im no currency's r calculated by cents per po	13.24 ng release at the gence she deau contra nea to the Financial occurd)  PUTS Mar 1.30	rength. cus the rate rates for a om ts Scu Times.  Apr  2.01
UK Ecu control rate Percentage chi bervelus beo si control gala. 17  PHILAD Strike Prica 1.610	295.2 0.79310 m cat by the ingest are to: per macroum /9/92. Searth FLIPHIA 5	69 3 03 0.1 European Ear a por Percentage I permitted Ing auspend SEE £/\$	714871 Commission obtained of the change of	-0.002642 n. Currencies is a denotes a septeen the administration of the Adjustment of the E31,250 (c	-8.96 Ire in descended cuttaincy.District market market in calculated by sents per posents per posents.	13.24 ng releative at the general state of Eau contrain note to the Financial scend) PUTS Mar 1.30 1.74	renges. over the rational stress for a combined for
UK Ecu contral rate Perconage cha beneves to cha beneves to cha beneves to cha contral rate. 17.  PHELAD Strike Price 1.610 1.620	295.2 0.7931 m ant by the regard are for preader the p be manifestral /2/92. Search ELPHIA 9 Feb 1.11 0.11	69 3 03 0.  European Eur s poperorege parage superor SEE 2/8 2 1 1	714871 Commission obtve change of farmers in a percentage and from EPI OPTIONS LLLS	+0.002642 n. Currencies is discussed in the sequent the ac- deviation of the Adjustment is £31,250 (c) Apr 2.96 2.51	-9.96 are in descendingly controlled control	13.24 rig religive all horganics share from chair from	Apr 2.01 2.51 2.96
UK Ecu contral rate Perconage cha beneves to cha beneves to cha beneves to cha contral rate. 17.  PHELAD Strike Price 1.610 1.620	295.2 0.7931 m ant by the regard are for preader the p be manifestral /2/92. Search ELPHIA 9 Feb 1.11 0.11	69 3 03 0.  European Eur s poperorege parage superor SEE 2/8 2 1 1	714871 Commission obtve change of farmers to it percentage and from EPI OPTIONS LLLS	+0.002642 n. Currencies is discussed in the sequent the ac- deviation of the Adjustment is £31,250 (c) Apr 2.96 2.51	-9.96 are in descendingly controlled control	13.24 rig religive all horganics share from chair from	Apr 2.01 2.51 2.96
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■ US TREASURY BELL FUTURES (MM) \$1m per 100%

Masr, 95.04 95.06 +0.02 95.06 95.04 Jun 94.98 94.96 +0.03 94.99 94.96 Sap 94.86 94.87 +0.02 94.88 94.87 All Open Interest figs. are for previous day

III RUROMARK OPTIONS (LIFTE) DM1m points of 100% 95.05 94.95 94.87

--- CALLS -

0.18 0.04 0

CALLS .

EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

0,16 0.03

Mar

0.03

Strike Price

+0.02 +0.03 +0.03

95.06 94.99 94.88

Jun

0,19 0.05 0.01

Mar

0.02 0.02 0.15 0.14 0.39 0.36

0.26 0.46

95,04 94,98 94,87

0.02 0.04 0.14 0.15 0.36 0.36

0.25 0.45

0.16 0.37

#### INDOSUEZ HIGH YIELD BOND FUND ociésé d'Invéstimement à Capital Variab Registered Office: 39, Aliée Scheffer L-2520 Luxembourg

server of the first of

NOTICE TO THE SHAREHOLDERS

This is to inform the Shareholders of the INDOSUEZ HIGH YIELD BOND FUND Sicay and the bound of Directory belowing held on Full unity 12, 1997 decided to pay a dividend of USD 5.50 per share to the holders of

The shares will go ex-dividend on February 18, 1997 and the payment of the dividend will be carried out on February 25, 1997. The Board of Directors

Cheung Kong Finance China Limited U.S. \$350,000,000 Exchangeable Guarante Floating Rate Notes due 1999 Cheung Kong (Holdings) Limited Cheung Kong Holdings (China) Lin

(incorporated to Hong Kong unth itmited imbility) Notice is hereby given that for the loterest Period 18th February, 1997 to 19th May, 1997, the Notes will carry a Rare of Interest of 5.99609 per cent. per annuar, The Interest Amount per U.S. \$250,000 Note will be U.S. \$3,747.36 payable on 19th May, 1997.

19th May, 1997.

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the notes will bear interest at 5.30469% per annum from 19 February 1997 to 19 August 1997. Interest payable on 19 August 1997 will omount to US\$133.35 per US\$5,000

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convertible into Ordinary Shares of a nominal value of 10p each of London International Group pic

NOTICE IS HEREBY GIVEN that in accordance with Condition 7 (b) (B) of the Bonds, the Issuer will redeem all outstanding Bonds on 25th March, 1997, at par together with a payment of supplemental interest equal to 55.09 per cent. of the principal amount. The Bonds must be surrendered together with all unmatured Coupons appertaining thereto. Payments of principal, premium (if any), interest and supplemental interest will be made against sumender of the relevant Bonds and Coupons at the specified office of any of the Paying and Conversion Agents listed below.

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# Greater use of gas urged for China

By Jonathan Annells

yesterday urged to plough money into China's natural gas infrastructure to help ease the country's dependance on coal and oil.

Investment in the industry would bring global benefits, preventing hig increases in world oil prices, said Dr Hoesung Lee, of the Korea trialised countries. The Energy Economics Institute. Dr Lee told the Asia

Pacific Energy Co-operation conference in Tokyo that China's energy usage was one of the most important issues facing Asia over the next 20 years.

Increasing use of natural gas would ease pressure on the regional oil supply and demand imbalance. Failure to make the switch would global oil prices as local shortages worsened. It would also mean further environmental degradation and

undermine regional stability. spite of the fact that it is a told that recent reviews of

pants stressed the importance of engaging the coun-Foreign investors were try positively in a collective approach to the common problem of reducing dependence on fossil fuels while pursuing economic growth.

To sustain its current level of growth, China will require energy supply to expand by about 4 per cent a year four times the rate for induscountry currently gets 80 per cent of its energy from coal

Dr Lee said the other kev concern was expected rapid growth in nuclear generating capacity in China, India. North Korea, Pakistan, the Philippines and Taiwan.

He said an expected rise in nuclear capacity would require strict monitoring of safety standards of the nuclear operations and radioactive waste disposal. At present, no such mechanism exists

The conference also focused on privatisation and deregulation of power mar-China is not represented at kets in the Asla-Pacific region. Delegates were also

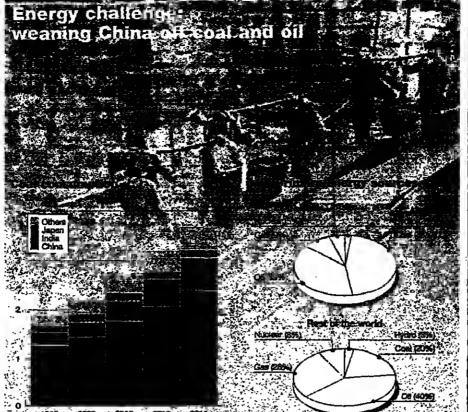
focus of attention. Partici- regulations in California and Thailand had swollen the ranks of Japanese attendees at the conference.

"This comes at an interesting time for Japan, because the issue of structural microreform of the domestic industry is under active discussion at the moment," said Mr Christopher Eves, an Australian lawyer and special counsel to the 1995 APEC conference energy working group.

Mr Tokio Kanob, manag-

ing director of Tokyo Electric Power and chairman of the London-based Uranium Institute, said he did not expect the conference to result in a pan-Asian energy treaty. But he stressed that reaching a consensus from the Aslan point of view would be the most important achievement. "We should start to sbare the same atmosphere," he explained.

Mr Kanoh said he wanted to summarise the symposium's watchwords hy the letters A, B and C. "We should step into the second stage, from agenda to action. B is for the move from attracted delegates from both the private and state the region.



bureaucrecy to business Japan, the US, India, Indon-involvement, and C from esia, Thailand and South communication to collabora-

tion in action," he said. The conference - supof trade and industry and

Korsa, Australia and Canada.

They include policyported by Japan'a ministry makers, academics, representatives of power generathe foreign ministry - has tors and distributors from

sectors, and leading fossil fuel exporting companies. It continues today with discussion of Asia-Pacific energy investment, the prospects for coal and gas trade,

and energy-related environmental problems confronting

# Crude oil at lowest for six months

MARKETS REPORT By Robert Corzine, Kenneth

Gooding and Philip Coggan Crude oil prices bit a six-month low yesterday as the slide which started two

weeks ago gathered pace. Brent Blend for April delivery, the North Sea crude that serves as a world benchmark, hit a low of \$20.10 a barrel at one point on London's International Petroleum Exchange It later recovered to around \$20.42, cents up on Monday's close

of \$20.34. The mild winter on both sides of the Atlantic pushed heating oil prices down to levels last seen in July 1996. Gasoll futures on the IPE ost \$1.75 to \$175.75 a tonne.

Traders said the market was also awaiting the publication today and Thursday of the latest statistics on crude oil and refined product inventories in the US. These have been one of the main determinants in recent weeks of short-term price

The London Metal Exchange yesterday reported that stocks of copper in its authorised warehouses had fallen by 1,100 tonnes - only the third decline since

November Mr William Adams, analyst at Rudolf Wolff, the Noranda subsidiary, said that if copper stocks continued to much of the recent increase had been lending by consumers who did not need their

copper until a future date, These consumers were attracted by the big premium for copper for immediate delivery compared with three-month metal, or backwardation. This had fallen sharply from a peak of more

than \$300 a tonne. "Copper can just as easily

-5,050 to 910,625 +20 -1,100 -650 to 110,100 +1.125

NFSHORE

be taken out of the warebouse now that the backwardation has shrunk," Mr Adams pointed out.

However, the premium increased yesterday from \$60 on Monday to \$77 a tonne in late trading.

Zinc prices, which have risen by 16 per cent or \$172 a tonne since the begining of this year to \$1,226, eased back hy \$6.50 from Monday's level to \$1,213.

Mr Adams suggested there were keen trade and fund buyers in the market, so the price dip was likely to be short-lived

Bullion traders said Swiss banks were behind a rise in platinum - up \$3.70 a troy ounce to \$367.70 in late London trading - and palladium, up \$1.25 an onnce to \$134.75. This helped gold, which was "fixed" in London yesterday afternoon at \$345 an ounce and was \$1.35 up at \$345.60 by the London close.

Coffee fell sharply and then recovered after the resolution of an eight-day strike by government workers in Colombia. Speculative investors liquidated positions and the May contract in New York fell to 13 cents to 154 cents a pound at one stage.

However, light industry buying allowed the price to rally later. Coffee for May delivery closed in London

Att Care

the party.

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down \$55 at \$1,560 a tonne. "When the market gete overheated the way it has recently, the slightest event can causa an upset," one trader said. "Basically, some weak longs were flushed out: of the market.

# Five copper projects seen as 'surefire winners'

ing" or "very good".

By Kenneth Gooding, Mining Correspondent

Only five out of 20 big new copper projects are likely to be "surefire winners", according to the CRU

International consultancy. "With the current run of high copper prices likely to be nearing its end, mining companies and financiers need to look very carefully at the economic and technical viability of the projects they are involved in," it warns.

CRU points out that a prolonged period of high profitability in the copper industry has given rise to

an unprecedented number of cop-exposure and risk than has previper mine projects under active consideration.

The 20 projects CRU examined could account for nearly 3m tonnes a year of new copper production and total capital expenditure of

more than \$13bn. "Remote locations and resultant high costs of infrastructure development mean that economies of scale must be maximised from an early stage of production to ensure adequate rates of return," CRU

"As a result, these projects have to accept higher levels of financial

ously been the case," it adds. In its latest study, CRU ranks five copper projects as "outstand-

Collabuasi in Chile, a joint venture hetween Falconbridge, Minorco and a Japanese consortium, is the higgest, with annual production scheduled to be nearly 400,000 tonnes. CRU, using a long-term copper price of 90 US cents a pound (\$1,984 a tonne) suggests Collahuasi will generate an internal rate of return Well over 15 per cent and pay hack its capital costs in four years.

Collabuasi could generate a posi- ture in Argentina; and Petaquilla tive return even if copper fell to 75 cents (\$1,653), says CRU.

Inco's Voisey's Bay project in Labrador is the most financially attractive in the list, CRU suggests, hut its copper will be a by-product of nickel mining.

CRU says the picture is not so bright for many other projects as it is for Collabnasi, with internal rates of return dropping below 10 per cent and pay-back periods increasing.

The hig projects include Cambior's La Granja, in Peru; Agua Rica, a BHP-Northern Orion ven- £13,500

in Panama (owned by Teck and Adrian Resources). Each has an estimated peak annual output of fall, it would suggest that 260,000 tonnes.

Batu Hijau, the Newmont-Sumitomo joint venture in Indonesia. and Konkola Deep in Zambia, to be developed by Anglo American, Gencor and Falconbridge, also rank among the big producers and are among the more costly projects being considered.

The Next Generation of Copper Mine Projects. CRU, 40 Mount Pleasant, London WCIX OAC, UK.

JOTTER PAD

#### LONDON METAL EXCHANGE ted Metal Trading

COMMODITIES PRICES

BASE METALS

ALUMINIUM, 99.7 PURITY (S per torne) 3 miles 1544.5-45.5 1532.5-33.5 1548.5/1548 1578-79 1584/1573 1581-81-5 E ALUMINIUM ALLOY (5 per torine) 1544.5-45.5 1500-06

Kerti close		1495-500
Open Int.	5.733	
Total daily turnover	3,097	
LEAD (\$ per ton	ne)	
Close	651.5-2.5	680-1
Previous	646.6-47.5	655-56
High/low	647	681/655
AM Official	846-47	656-56.5
Kerts close		657-8
Open Int.	38,922	
Total daily turnover	11,967	
NICKEL IS per to	onne)	
Close	7600-10	7700-02
Previous	7670-80	7768-69
High/low		7780/7640
AM Official	7635-45	7735-40
Kerb close		7650-55
Open int.	48,856	
Total daily turnover	15,211	
TIN (\$ per tonne	<b>}</b>	
Close	6010-20	6050-60

High/low	1010-00	7780/7640
AM Official Kerb close	7635-45	7735-40 7650-55
Open int.	48.856	
Total daily turnover	15,211	
TIN (\$ per tonne	4	
Close	8010-20	6050-60
Previous High/low	5965-75	6015-20 6065/6020
AM Official Kerb close	6030-30	6055-60 6065-70
Open int.	15,873	
Total daily turnover	8.418	
M ZING, special h	igh grade (S p	er torne)
Close	1192.5-93.5	1215-16
Previous	1193-94	1215-18
High/low		1222/1212
AM Official	1187-97.5	1218-19
Kerb close		1212-13
Open int.	89,816	
Total daily turnover	30,737	
COPPER, grade	A (\$ per tonn	e)
<u> </u>	0000 00	

2265-66 2267/2271 M LME AM Official E/\$ rate: 1.8030 LME Closing E/\$ rate: 1.8005

Soot: 1,6032 3 onlies: 1,6002 6 voltes: 1,5070 9 miles: 1,5948

- 131	20 000	DE 00	FFEN	(CONIC	~	
		Day's change	tigh	Low	Vol	Open.
Feb	109.95	+1.65	110.00	109.00	386	1,614
Mary	109.60	+1.90	109.70	107.00	6,431	22,123
Apr		+1.60				1,792
May	106.00	+1.50	105.90	104.90	1,166	9,211
-Jean		+1.10	-	-	3	
40	103.80	+1.10	104.20	103.10	44	
Total					8,834	54,000

PRECIOUS METALS

	(Prices supplied by N M Rothschild)							
Gold(Troy oz)	\$ price	£ equiv	SFr equiv					
Close	345.00-345.50							
Opening	345.80-346.10							
Morning fix	346.00	215.36	512.88					
Afternoon fix	345.00	215.14	508.63					
Day's High	347.00-347,30							
Day's Low	344,10-344,40							

Previous close 344.00-344.50 Loco Ldn Mean Gold Lending Rates (Vs US\$)

2 months		nths 3.97
Silver Fix	p/troy oz. 326.30	US cts equiv. 523.15
Spot 3 months	330.75	529.30
6 months	335,40	535.80
1 year	345,05	548.90
Gold Coins	\$ price	£ equiv.
Krugerrand	343-345	214-215
Maple Lett	-	-
New Sovereign	81 <del>-84</del>	51-52

Precious Metals continued ■ GOLD COMEX (100 Tray oz.; \$/tray az.)

shi .	347.5	+1,1	348.7	346.6	633	2,709	
lar -	347.5	+1.1	-	-	5,433	65	
pr .	347.7	+1.0	349.5		34,657		
m)	349.7	+1.0	350.9	348.4		25,536	
ng	352.0	+1.0	353.2	350.6	326	10,610	
ct	354.4	+1.0	354.5	353.6	18	5,364	
del					43,591	197,165	
PL	MUNITA	NYME	OK (50)	Tray or	:: \$/oc	y oz.	
-	371.4	-0.6	374.5	365.2	2161	19,765	
d	373.4	-0.6	377.0		33		
d	375.5	-0.6	379.0	374.0	13	2,407	
114	377.8	-0.6	361.0	381.0	-	1,110	
lek					2.227	28.674	
PA	LADIUI	M NYM	EX (10	Troy o	12. S/0	dy dz.)	
म	137.00	+0.25	139.00	135.75	1,343	6,469	
ш	138.50			137.25		4.840	
eg .	139.50	+0.50	_	_	_	396	
OC	140.50	+0.50	-	_	34	114	
ital					1,002	11,819	
SIL	VER CO	MEX (5,	000 Tro	y 024; C	anta/tro	( OZ.)	
ф	520.7	-3.4		_	5	5	
	521.5	-3.7	525.5	519.0	30,143	49,735	
47	526.4	-3.6	530.0	524.0	1,596	25,334	
4	531.2	-37	535.0	529.0	888	9.957	
SQI .	535.9	-17	539.5	533.0	127	3,202	
20	542.9	-3.7	546.5	540.0	497	5,237	
rial .					33,850	98,026	

**ENERGY** 

		Day's change	High	Low	Voi	Open
Mar	22.43	+0.02	22.55	21.89	32,520	48,496
Apr.	22.09	+0.06	22.20	21.56	26,248	72.317
May	21.75	+0 04	21.82	21.31	6,793	40,555
Juna	21.40	-0.04	21.55	21.05	3,943	37.908
Jul	21.15	-0.05	21.25	20.88	929	16.29
119	20.96	-0.02	20.96	20.73		16,007
Total					81,398	
III CR	UDE OF	L IPE C	/barre	0		
	Sett	Day's				Ореа
	price	casuge	High	LOW	Yor	int
Apr .	20.39	+0.05	20.62	20,10	14,344	
Key	20.13	+0.06	20.28	19.88		27,892
ببونا	19.87	+0.05	19.98	18.64		19,302
	19.66	+0.05	19.78	19.46	1,641	11,954
Aug	19.51	+0.05	18.57	19.40	770	4,239
Sep	19.36	+0.04	18.45	19.16	374	5,686
otal					6,833	147,825
HE	ATING	DIL IMM	SX 442,0	00 US Q	alts.; c/l	S gate
		Day's				Open
	price	change	High	Low	Yol	trd
Mar	59.85	-0.36	80.20	58.50	10.336	30 097
Aur	58.35	-0.48	58,70		6,012	

-0.28 57.20 56.00 1,770 9,357 -0.33 58.50 55.50 959 6,030 -0.03 56.40 55.80 1,100 6,405 -0.08 58.70 56.00 417 3,384 -2.50 178.00 174.25 6,835 19,873

175.25 -175.75 175.25 173.00 3.459 9,378 174.75 -1.00 175.25 173.00 3.459 9,358 174.75 -1.50 175.00 173.00 1,157 8,359 175.25 -1.50 176.00 173.00 1,157 8,359 175.25 -1.50 176.25 176.25 5 3,840 175.00 -1.25 176.75 174.75 24 1,088 8,285 58,786 NATURAL GAS NYMEX (10,000 mmBm; StormBm) 1.930 -0.036 1.945 1.850 13,705 30,725 1.850 - 1.975 1.870 4,947 26,611 1.945 -0.006 1.950 1.910 1.263 14,721 1.950 -0.010 1.960 1.925 803 10,039 1.950 1.945 541 9,804 1.975 -0.010 1.880 1.950 908 7,817

MYA	NEX (42,0)	00 US ga	ls; c/U	gels.)		
		Day's change	High	Low	Vef	Open
ar	64.40	+0.15	64.00	63.20	9,807	25,496
	65.85	+0.02	65 90	64.75	5,965	26,165
47	65.55	-0.05	65.65	64.60	2,272	14,819
	64.80	+0.07	64.75	63.70	1,006	9,279
	63.25	-0.08	63.25	62.70	396	5,010
3	61.50	-0.33	e1 50	61.30	163	4.027
stal					19,840	87,906

GRAINS AND OIL SEEDS

	HEAT LI	-	per to			-
	Suit	Ouy's			`	Open
	price			Low	Val	bet
Mar	95.00	+2.50	96.00	92.75	97	842
May	98.00	+2.50	98.00	95.90	954	3,011
,bul	100.00					559
Sep	93.35	+200	92,00	92.00	1	32
May	95.35				104	
Jan	97.35	+2.00	97.50	95.75	18	201
Total					1,250	6,385
M W	HEAT CE	T (5,00	Obu m	inc cont	6/60tb (	(lertaux
Mar	364.25	+4.75	370.00	361.00	4,837	21,696
May	363,00	+5.75	355,00	358.00	2,336	19,323
Jul	347.75	+5.00	350.00	343.50	1,957	25,155
Sep .	351.75	+5.75	352.50	347.00	102	2,417
Dec	380.50	+1.50	362.00	358,00	51	2,132
Mer	360.50	+3.00	-	-	-	30
Total					9,092	73,970
W M	ALZE CO	r (5.000	bu mi	n; cent	√567b b	ushet
Mar	282.75	+8.75	283.00	275.00	29,087	37,719
May	284.00					
Jul	281.50	+9.50	382.00	273.50	13,005	74,735
Sep	275.50					
Dec	274.75			269.25		
Mer	280.50	+6.50	250.75	275.25	578	
Total					68,415	331,025
<b>8</b> /8	RLEY U	FFE (E	per to	अक्षात)		
Mar	92.75	+0.50	92.90	92.25	12	234
May	94.25	+1.00	94.25	94.00	40	
Sep	91.90	+1.00	_	-	-	28
MOT	93.90	+1.00	\$3.75	93.75	5	303
Jac	95.90	+1.00	95.75	95 75	5	27
Total					62	724
<b>S</b>	YABEAI	42 CBI	(5,000b	u mite C	H6/604	Dusbell
Mar	779.00					
May	779.00					
Jul	777.50					
Aug	771.50	+14.25	773.00	761.00	597	6,445

735.00 +11.25 736.00 728.00 216 2.325 704.75 +7.75 705.00 699.50 2.042 19.753 SOYABEAN OIL CET (60.000lbs; certs/lbi 23.93 +0.26 23.96 10.124 32.755 24.31 +0.22 24.40 24.10 6.455 26.832 24.57 +0.22 24.75 24.50 21.31 16.722 24.79 +0.16 24.67 24.65 30 3.452 24.91 +0.16 25.00 24.80 24 2.715 25.05 +0.16 25.05 25.00 89 933 24 2,715 89 933 19,453 89,791 SOYABEAN MEAL CBT (100 tons; \$Aton) 255.6 +7.4 255.9 248.9 8,595 32,624 249.9 +7.0 250.4 243.3 5.367 25,525 248.5 +6.3 247.2 241.0 4,416 21,444 242.7 +5.4 243.2 238.0 373 4,470 255.0 +4.8 235.5 230.5 237 2,923 222.1 +4.1 222.1 278.5 11.3 1,347 2,923 1,347 96,583

57.5 +1.5 63.0 +1.5 71.0 +2.0 74.5 -1.0 64.0 -1.5 1,077 157 2 IGHT (BIFFEX) UFFE (\$10/index point) 342 605 1,240 624 213 49

Minor Metals European free market, from Metal Bulletin, a per bin warehouse, unless, otherwise stated (last week's in brackets, where changed). Antimony: 99.55%, 5 per tonne, 2,280-2,425 (2,300-2,425). Bismettic min. 99.29%, tonne lots 2,95-3-25 (2,95-3-20). Cadmiume min. 99.85%, cents a pound, 85.00-75.00 (88.00-78.00). Cobarts MB free market, min. 99.8%, 18.50-21.00 (18.80-21.00); min. 99.3%, 18.00-18.50 (18.70-19.20). Mercury: min. 99.99%, 5 per 76 in flask, 161-171. Molybdenusts. drummed molybdic oxide, 4.75-4.90 (4.70-4.90). Selenium: min 99.5%, 2.40-3.30. Tungsten ores standard min. 65%, 5 per tonne unit (10kg) WO,, cft, 45-55 (43-5.3). Varadium: min. 99%, cft, 380-4.00 (3.50-3.70). Uranium: Nuexco urrestricted exchange value, 12.80 (13.00).

00,88 0	95.90	954	3,011	May	880	+6	882	87
0 100.00	98,00	112	559	Jed	900	+6	901	85
92,00	92.00	1	32	Sep	919	+6	816	91
96.00	94,00	104	1,713	Dec	935	+6	934	82
97.50	95.75	18	201	Mar	955	+6	960	94
		1,250	6,385	Total				
000bu mé	nç çemb	6/60tb b	(lertaux	M COC	OA CSC	Æ (10	tonnes	\$4
5 370.00	361.00	4,837	21,696	Mar	1225	7	1230	122
5 365.00	358.00	2.338	19,323	May	1267	-18	1273	126
350.00	343.50	1,957	25,185		1297	-19	1302	125
5 352.50	347.00	102	2,417	Sep	1327	-18	1333	133
362.00	358.00	51	2,132	Pec	1354	-16	1355	135
0 -	_	-	30	Mar	1383	-15	1381	137
		9,092	73,970	Total				
00 bu mir	r, centr	√567b b	ushet	# COC	CA (ICC	CO) (SC	R's/to	me)
5 283.00	275.00	29,087	27,719	Feb 14			Pri	C#
5 285.00	275.50	17,931	90,874	Daily			- 973.4	15
382.00	273.50	13,005	74,735					
276.00	268.00	1,880	11,674	M COF	FEE LIFI	FE ISA	orune)	
275.00				-			4505	
250.75	275.25	578	3,858	Mar.	1540	-60	1595	153
		68,415	331,025	May	1555	-60	1605	155
E per to	(कारा			Jul	1580	-63		157
	_			Sap	1582	-63		155
92.90	\$7.75	12	234	Hov	1582	-63	1610	150

		Day's	-			Opes
	price t	-	-	Low	44	int
Na.	853	+4	855			20,543
May	880		882	871		27,039
Jed	900		801	891		13,113
Sep	919	+6	816	910		14,821
Dec	935	+6	934	925		15,818
Mar	955	+6	960	947		19,777
Total					5,155	130,94
M CO	20A CSC	Æ (10	torme	; \$/tor	was)	
Mar	1225	-2	1230	1220		2,272
May	1267	-18				35,931
	1297	-19	1302	1295		18,120
Sep	1327	-18	1333	1335	255	10,231
Dec	1354	-16	1355	1350	229	5,894
Bur	1383	-15	1351	1376	4	12,561
Total					5,559	90,400
	XXA (ICC	COL ISC	A's/to	farer.		
= 44	-	~!!!~		100		
Feb 14	No.		Pr	ice .	P	rer. de
				ice .	P	976.92
Feb 14 Daily			Pr 973.	ice .	9	
Feb 14 Daily	FEE UF	FE (\$/1	973. orine)	<b>100</b> 45		976.92
Feb 14 Daily — St COF	FEE LIF	FE (\$A)	973. orune)	toe 45	3,157	976.92
Feb 14 Daily St COF Mar May	TEE UF	FE (\$/1	973. orune) 1595 1605	1538 1550	3,157 3,671	976.50 12.256 21,764
Feb 14 Daily — Se COF Mar May Jul	FEE LIF 1540 1555 1580	FE (\$A) -60 -63	973. 973. 973. 1595 1605 1625	1538 1550 1575	3,157 3,671 1,542	976.50 12.256 21,764 5.902
Fat 14 Daily St COF Mar May Jul Sep	FEE LIF 1540 1555 1580 1580	FE (\$A)	973. 973. 0m/ne) 1595 1605 1625 1624	1538 1550 1575 1550	3,157 3,675 1,542 117	976.52 12.256 21,764 6,902 3,406
Fate 14 Daily Ste COF Mary Mary Jul Sept How	1540 1555 1580 1580 1580 1580	स्वाम्ब्रम्	973. 973. 1595 1605 1625 1624 1610	1538 1550 1575 1950 1600	3,157 3,671 1,542 117 28	976.50 12,256 21,764 6,902 3,406 1,560
Feb 14 Daily — St COF Mar May Jul Sep How Jan	FEE LIF 1540 1555 1580 1580	FE (\$A)	973. 973. 1595 1605 1625 1624 1610	1538 1550 1575 1550	3,157 3,671 1,542 117 28 5	976.92 12.256 21,784 6,902 3,406 1,560
Full 14 Daily — Star Mary Jul Sep Hov Jan Total	1540 1555 1580 1582 1582 1582	स्था के के कि का	973. 973. 1595 1605 1625 1624 1610	1538 1550 1575 1590 1610	3,157 3,671 1,542 117 28 5 8,720	976.52 12.256 21,764 6,902 3,406 1,560 199 48,187
Full 14 Daily — Star COFF Mary Jul Sep Hov Jam Total Star COFF	FEE UF 1540 1555 1580 1582 1582 1582	28 de	973. 973. 1595 1605 1625 1624 1610 1610	1538 1550 1575 1550 1610	3,157 3,671 1,542 117 28 5 8,720	976.52 12.256 21,764 6,902 3,406 1,560 199 48,197
Full 14 Daily Star COF Mar Mary Jul Sup Rov Jan Total Star COF	FEE UF 1540 1550 1580 1582 1582 1582 1582	FE (\$A)	973. 973. 1595 1605 1624 1610 1610 (37,50	1538 1550 1575 1550 1610 0656; c	3,157 3,671 1,542 117 28 5 8,720 20115/1	976.52 12.256 21,764 6,902 3,406 1,560 199 48,197
Feb 14 Daily — BE COF Mar May Jul Sep Rev Jan Total BE COF	1540 1550 1580 1582 1582 1582 1582 168.10	FE (\$/\) -60 -60 -60 -60 -60 -60 -60 -60 -60 -60	973. 973. 1595 1605 1624 1610 1610 (37,50 155,70	1538 1550 1575 1550 1610 0656; c	3,157 3,671 1,542 117 28 5 8,720 20115/1	976.92 12.256 21,764 6,902 3,406 1,560 199 48,187 (58)
Full 14 Daily — Star COFF Mare Nay Jul Sep Flow Jan Total Star Total Star Mary Jul Sep Star Star Star Star Star Star Star Star	FEE UF 1540 1555 1580 1582 1582 1582 168.10 157.55	FE (\$A)	973. 973. 1595 1605 1625 1624 1610 1610 (37,50 177,50	1538 1550 1575 1550 1610 06be; c	3,157 3,674 1,542 117 28 5,720 20105/1 6,156 7,956	976.92 12.256 21,764 6,902 3,406 1,560 48,197 5s) 10,692 18,535 5,875
Full 14 Daily  BU COFF Mar Mary Jul Sep Rov Jan Total Bu COFF Mar Mar Mar Mar Mar Mar Sep	1540 1550 1560 1562 1562 1562 1562 168.10 157.25 151.50	-63 -63 -63 -63 -63 -63 -9.75 -9.75 -9.70 -8.70	973. 973. 1595 1605 1625 1624 1610 1610 (37,50 155,70 155,70 159,00	1538 1550 1575 1575 1610 0656; c 167.00 154.00 154.90 147.20	3,157 3,671 1,542 117 28 5 8,720 errts/1 6,156 7,956 1,294 645	976.52 12.255 21,764 6,902 3,406 1,560 199 48,167 55,175 3,569
Full 14 Daily  BU COFF Mary Mary Jul Sep Rov Jan Tutof Bu COFF Mary Mary Mary Mary Mary Mary Mary Mary	FEE UF 1540 1595 1580 1582 1582 1582 168.10 157.25 151.50 144.50 136.25	FE (\$/1) -60 -63 -63 -63 -63 -63 -63 -63 -63 -63 -63	973. 973. 1595 1605 1605 1610 1610 (37.50 155.00 151.50 145.00	1538 1550 1575 1550 1610 0656; c 167.00 154.90 147.20 138.80	3,157 3,674 1,542 117 28 5 8,720 9005/5 6,156 7,956 1,294 645 435	976.52 12.255 21,764 6,902 3,406 1,560 199 48,167 58,75 3,559 2,451
Full 14 Daily  BU COF Mar May Jul Sep Rov Jen Total Bu COF Mar Mar Jul Sep Jul Sep	1540 1550 1560 1562 1562 1562 1562 168.10 157.25 151.50	FE (\$/1) -60 -63 -63 -63 -63 -63 -63 -63 -63 -63 -63	973. 973. 1595 1605 1605 1610 1610 (37.50 155.00 151.50 145.00	1538 1550 1575 1550 1610 0656; c 167.00 154.00 154.20 138.80 133.65	3,157 3,674 1,542 117 28 5 8,720 90155/7 6,156 7,956 1,294 645 435 64	976.52 12.255 21,764 6,902 3,406 1,560 199 48,167 58,75 3,559 2,451

115.54 May 307.5 +3.8 307.5 303.4 782 12,311
Aug 307.1 +3.2 308.2 303.5 384 3,303
Oct 302.9 +3.3 302.9 299.5 107 2,604
Dac 303.0 +2.9 300.5 299.9 8 72
Mar 300.7 +0.1 301.1 259.5 115 42
May 259.7 -2.9 256.9 28.9 7 151
Total 1,303 19,561
B SUGAR 111 CSCE (112,000lbs: cents/bs) +3.8 307.5 303.4 782 12,317 +3.2 308.2 303.5 384 3,302 +3.3 302.9 299.5 107 2,504 +2.9 300.5 299.9 8 722 +0.1 301.1 259.5 115 443 -2.9 256.9 298.9 7 183

10.92 +0.14 10.92 10.7615.351 42.797 10.88 +0.14 10.88 10.74 7.894 40.954 10.65 +0.17 10.65 10.54 1.633 28.945 10.59 +0.09 10.99 10.50 374 21.027 10.55 +0.06 70.56 10.48 552 7.637 10.56 +0.06 10.57 10.55 50 1.198 71 65 -1.45 73 70 70 85 3.582 15.081 73.00 -1 85 75.28 73.00 3.141 25.952 74.90 -1.05 76.25 74.90 12.47 10.515 76.00 -0.25 76.95 76.00 16 1.413 76.00 -0.25 76.45 75.97 471 13,069

- 77.20 77.10 ORANGE JUICE NYCE (15,000ths; cents/lbs) 78.70 +0.20 79.70 78.50 2,116 9,190 81.60 +0.25 82.50 61.40 1,963 9,782 64.50 -0.05 85.60 84.50 1,415 3,855 87.60 +0.15 38.60 37.50 275 2,559 89.85 +0.30 90.75 90.25 32 637 92.15 +0.85 92.40 92.25 14 258 5,757 28,807

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and FPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES E Reuters (Base: 18/9/31 = 100)

Feb 18 Feb 17 month ago year ago 1981.8 1973.6 1929.8 2152.3 ■ CRB Futures (Base: 1967 = 100) Feb 14 Feb 13 month ego year 239,51 239,51 ■ GSCI Spot (Base: 1970 = 100) Feb 13 month ago year ago 192.79 214.95 194.68 MEAT AND LIVESTOCK

	Satt	Day's				Genet
	Pyles	<b>Harry</b>	High	Low	Wal	lent.
Feb	65.675	+0,425	65,750	65.350	1,375	4,031
APT	88,575	+0.125	66.700	68,275	4,774	42,052
100	63,725	-0.250	83.950	63.550	2,143	16,143
Aug	83.275	-0.350	63.600	63,300	1,120	18,725
Oct.	57.075	-0.250	67.325	67,000	753	11,799
Dec	59.325	-0.050	69.500	60,200	240	4,398
Total				-	10,461	101,444
<b>I</b>	AN HO	GS CN	E (40,0	ÓUDS;	CBrits/	(zed
Apr	72.075	-1.125	72.050	72.000	4,597	15,887
Jan	77.450	-1.025	77,850	77.250	1,899	8,552
Add .	76,100	-0.525	76.300	75.875	347	1,550
Acres	73,100	-0.150	71375	72.825	226	2.209
Oct	B5.250	-0.575	66,700	68.150	92	1,492
Dec	54,200	-0.325	64,500	B3.950	72	798
Total					8,532	34,006
M PC	ЖК ВЕ	LLES	CME H	0,000m	es; cen	rta/lbs)
Feb	73.175	-1000	74.800	73.175	431	616
No.	73.375	-2.200	74,850	72575	1,287	2,305
Mary	73.950	-2.225	75.600	73.300	1,051	3,508
	73 150	-7050	74 050	77 700	734	602

LONDON TRADED OPTIONS IN ALUMINIUM

69.450 -2.600 72.000 69.450

A PACOUNTAINED				
(89.7%) LME	Mar.	Jun	Mar	Jun
1525	44	94	9	31
1550	28	80	18	41
1575	16	65	31	52
COPPER				
(Grade A) LME	Mar	Jun	Mar	Jun
2200	143	128	3	69
2250	99	101	8	81
2300	62	79	22	119
COFFEE LIFFE	Mar	May	Mar	May
1500	45	132	5	5
1550	13	108	23	23
1600	2	85	62	62
COCOA LIFFE	Mar	May	Mar	May
800	53	63	-	3
850	8	44	3	14
900	-	29	22	24
ARENT CRUCE				
PE	Apr	May	Apr	May
1850	118	127	27	64
0000	82	100	43	870
2050	57	79	68	118
LONDON SPI	TO	MA	RK	ETS

\$18.53-8.63w \$20.61-0.69 \$20.46-0.50 Brent Blend (dated Brent Blend (Apr) W.T.J. \$22.05-2.07w Gas OII Heavy Fuel OII Naphtha Jet fuel Diesel III NATURAL GAS \$219-223 \$200-202 \$192-195 9.80-10.20 -0.15

(0171) 359 6792

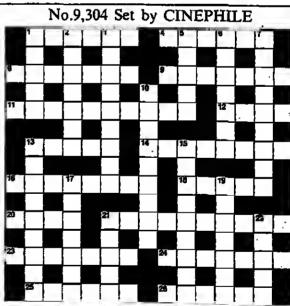
Gold (per troy oz) \$
Silver (per troy oz) \$
Platinum (per troy oz.)
Paliadium (per troy oz.) +1.00 114.0c 45.00c Copper Lead (US prod.) 14.58r 276.50 Tin (Kusla Lumpur Tin (New York) 102.94p Cattle (Ive weight Sheep (Ive weight 79.77p Lon. day sugar (raw) Lon. day sugar (wts) Barley (Eng. feed) Maize (US No3 Yellow) \$263.60 Wheat (US Dark North) Rubber (Mar) P 79.50p 79.50p

Pakm Oil (Maley.)§ Copra (Phil)§ Soyabeans (US) 80.10 Cotton Outlook A' Index +0.20

775.0y 572.5x

Coconut Oil (Phill)

CROSSWORD



LM's potato (6) Crazy fellow's plan about

8 One flies round Beachy Head: it hlows when they're close (7) 9 Snoop around border first and foremost (7) 11 Declare solemnly, donkey never stopped eating (10) 12 Greeting with stones (4)

13 Youngster meets the 14 Principal ideology - or nineties Tories? (8)
 16 Business friend in trouble - his lips weren't sealed (8)

18 LM on his own point (5)

20 Having nothing to do with
Ridley's part (4)

21 Reporting back and being fired, sadly (10) 23 Return a measure of work to bogus LM (7) 24 I got into bed very much on 25 LM went off and on (6) 26 S-stinking with contempt

1 LM ambles along, we hear (5) 2 Fall backwards or upwards on line for removal by day-

light? (7) Clus for H? Nebula in Orion oo hobby? (9)

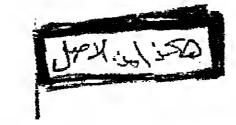
5 Say Yes to an uncompleted it abould be put in moth-balls (7)

7 Leave vehicle at home with child LM (9) 10 LM, initially he allotted me my usual role as blithering idiot (9) 13 Small relative, daring burt,

shows unconcealed amusement (5,4)
15 LM only in single article (9)
17 Amdety at something proverbial shown by woodcutter (4.3)

19 Student, provided he's upper-class, going for the moon? (4-3)
21 LM striking a cord (5)
22 Poor old marshal entertaining journalist (5) ;

Solution 9,303



JERSEY

Account Securition Feb 12. \$19.31 Foreign & Celenial Manget (Jern-Foreign & Celenial Harana Awat Fuel U USS Sheet Term Assets ... \$12.765 Starling Stort Term Assets ... \$12.765 Marketorery Bonds ... \$25.004 Starting Bonds ... \$20.024 Enumerical Bends ... \$20.024

John Govern Manage Coural Aries for CS (M), Dir Global Reservo Emerging Markets for Humparine Joy CS Feb 12 India Fund Now Europa for CS (M), 2000 2000g Feb 18

International 61, 5 (EXEST) 7,1488 — Objection from 1 (EXEST) 1,1488 — Objection from 1 (EXEST) 1,1488 — Objection from 1 (EXEST) 1,1489 — Obj

(REGULATED)(\*\*)

#### FT MANAGED FUNDS SERVICE

Crude oil at = lowest for six months **OFFSHORE** AND OVERSEAS

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FINANCIAL TIMES WEDNESDAY FEBRUARY 19 1997 FT MANAGED FUNDS SERVICE Offshore Funds and Insurances ● FT Cityline Unit Trust Prices are evallable over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. Solding Sering + ar Yield Price Prime - Grass ACIA Stobal Investment - Cortic.

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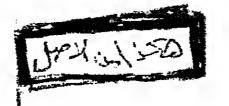
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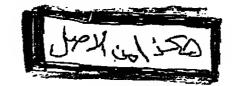
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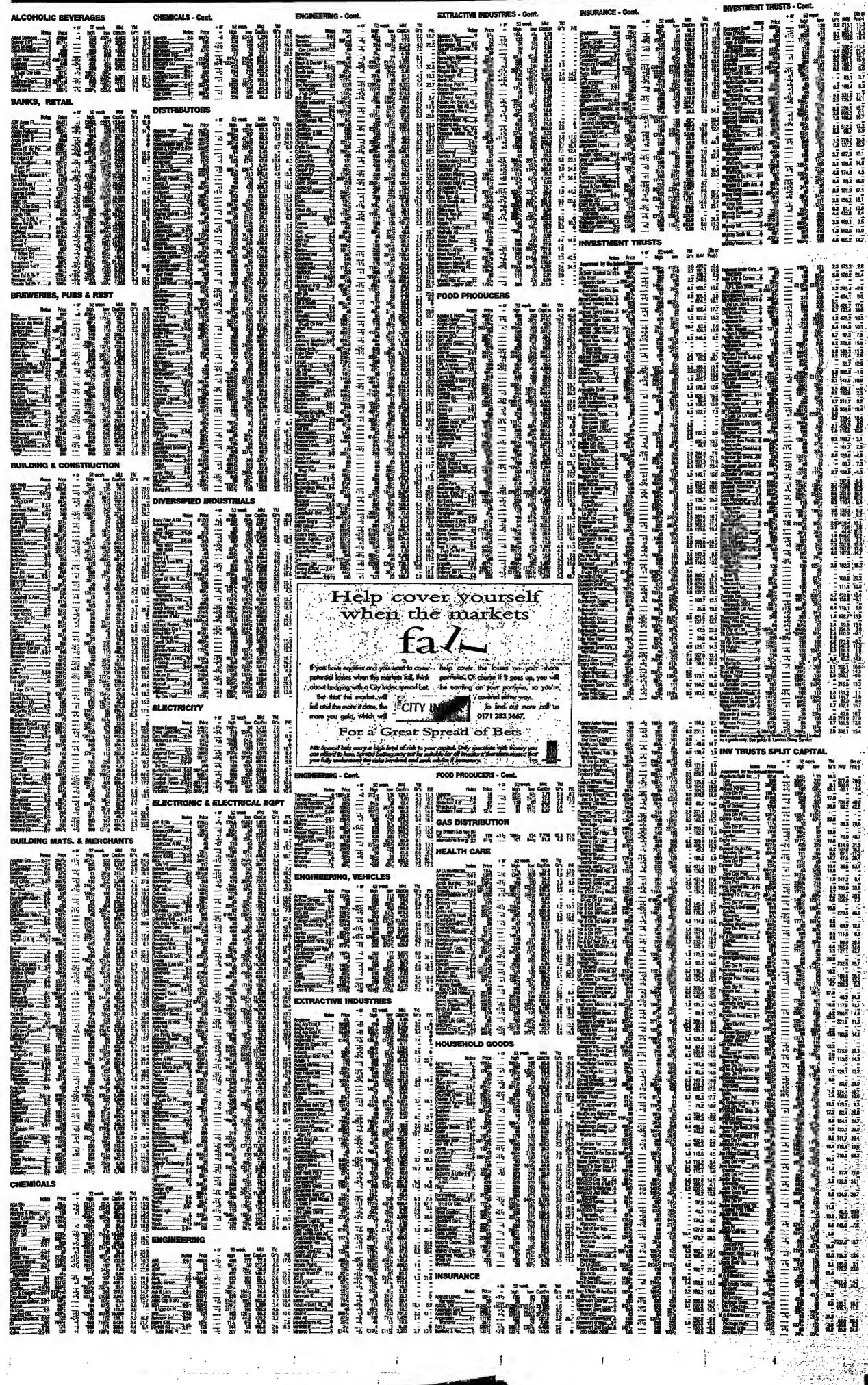
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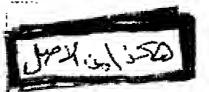
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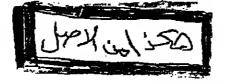
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CANADIANS Management today needs to be far-sighted. THE THE TABLE IN T Which is why a Picture Tel videoconferencing system is so invaluable. With Picture Tel, new ideas, objectives and strategies flow with greater ourpose. Change is implemented and managed more effectively. And GUIDE TO LONDON SHARE SERVICE owntime away from the office is easy to control.

# Footsie sags on disappointing bank figures

MARKETS REPORT

By Peter John

London equities failed to respond to some surprisingly positive eco-

day and the FTSE 100 index pieces of news. closed 5.5 lower at 4,332.3.

On the other hand, the FTSE 250, which is less exposed to improved 2.4 to 2.343.4.

Street, because US dealers were government bond issuance sent fact that its share huy-hack

day on Monday. But an early the 10-year maturity. mark-down was reversed as the

At its best, shortly after the nomic data and concentrated start of trading the blue chip instead on the prospects for Wall index was 13.1 points up and only

On the broader economic front, pound. the latest public sector borrowing international pressures, rose 6.2 £5.8bn against economists' fore- a sharp reversal of fortune in earnings and the huge influx of the traditional checking business to 4,612.7 and the SmallCap casts that were some £2bn Barclays shares after the high lower.

celebrating Presidents' Day holi- gilt prices up by some 10 ticks at would not occur immediately. lot further to go. They will be use

Also, sterling softened against nent of the market, representing Footsie futures led the index hoth the US dollar and the 12.6 per cent of the FTSE All-D-Mark, easing some of the pressure on UK exporters.

which were highlighted by a market. As such, the stark per-2.5 points below its record high report that some strategists were Consequently, muted profit- achieved last Friday. From then reducing current year earnings to sector rivals and sent some to London shares. taking remained the theme of the on, it wrestled with contrasting estimates by 3-4 per cent to nervous signals through the marreflect the strength of the ket.

figure showed a repayment of economic nuggets were offset by underlying strength of the banks' street bank disappointed the mar-There was no lead from Wall The removal of pressure on ket with its figures and the societies.

Banks are the largest compo-

Share index. Over the past year they have been one of the stron-It helped to assuage doubts gest performing sectors in the formance of Barclays spilled over

However, several traders and These encouraging domestic strategists have pointed to the capital which is expected after the flotation of the big building

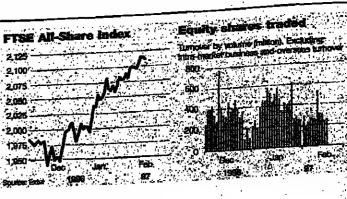
"It is an area which has got a

quality' argument," said Mr Corey Miller, equity strategist at Credit Lyonnais Laing.

In the afternoon, the Dow Jones Industrial Average started slightly weaker and its recovery came too late to lend any support

Trading volume by 6pm rose to 884.5m shares up from Monday's level of 726.1m shares when genuine customer husiness was worth £2.16bn. That figure combined with the electronic Crest data.

Meanwhile, husiness between markstmakers accounted for



FISE Non-Fins p/8 46127 FTSE 100 Fut Mar 2139.3 -1*2*1 FTSE All-Share yield

Diversified Industrials Other Financial

Engineering: Vehicles .... Electronic & Elect Equip Textiles & Apparei .... Life Assurance ---

18.44 +3.0

## **BZW** hit **batters Barclays**

By Joel Kibazo and Lisa Wood

Holders of Barclays were left bruised and battered yesterday as the market registered its disappointment with the group's preliminary figures and the lack of an immediate one-off share buy-back.

The shares lost nearly 6 per cent of their value as they tumbled 70% to 1129p. the worst performer in the FTSE 100. The beavy selling pressure brought volume of 27m by the close

Headline profits at the UK banking group fell short of the best market estimates. although many had anticipated the poor performance hanking arm, following weekend press reports.

However, the optimists had expected to he soothed by plans for an immediate share huy-back, one of the main reasons for the recent strength of the stock.

Instead, the group announced plans to return up to £500m to shareholders over the next 12 months. news which failed to excite prompted increased selling

Sentiment was also hit by sharp profit downgrades. HSBC James Capel is Boots slipped 13 to 688p helieved to he looking to with UBS moving the stock reduce its current profit from its "buy" list to "hold", Feb 18 Data based on Equity shares listed on the London Share Service

around £2.3bn from its previous forecast of £2.48bn. Dealers said the broker had also reduced its recommendation

from "buy" to "hold". However, Merrill Lynch remains more positive and analyst Mr Richard Coleman said: "The BZW figures were clearly disappointing and the share price reaction is understandabls. But we remain positive, the banking business has performed well and capital generation remains intact.

"We are also expecting further share buy-backs in the course of the year." The poor sentiment in Barclays also weakened National Westminster where the shares surrendered 31 to 803½p. The group reports fig-

#### Argos lifted

Argos was the best performer in tha FTSE 100. at BZW, the investment hardening 211/2 to 695p, with the market more positive on its revenue growth prospects, taking the view that the recent slow-down in earlier in the week changed from a "hold" to a "buy" with the broker believing that the froth in the share price was blown off in the recent profits warning.

Great Universal Stores rose 121/2 to 6621/2p in the wake of the announcement that it was in talks with British Land over a property deal.

expectations for Barclays to with a recommendation that dealers said confusion coninvestors should switch into tinued to surround the life Marks and Spencer, which and pension giant's unallo-

#### Britannic boost

Shares in life group Britannic Assurance secured pole position in the FTSE 250 index, the shares appreciating 66%, or 8.2 per cent, to 870p, after the group revealed plans for a sharply increased dividend to he underpinned by the distribution of an orphan assat investment surplus.

The company also said tbat the impact of its restructuring of its withprofits funds and the declaration of a £209m special bonus should mean it will be able to pay a dividend for 1996 of 23 pence per share, up 82 per cent on 1995.

However, shares in Prudential fell 8% to 564%p as one of the world's largest

cated funds.

Cinbs,

price of Capital, which owns Crockfords and the Colony Club, two of London's leading casinos, was now 91/2 per cent above the implied value of the bid, implying that tha market was expecting another bidder. He said that Ladbroke, which slipped 41/2 to 232%p, might be in the frame - perhaps with its new partner Hilton Hotels, which owns Bally Entertainment, the world's biggest gaming group. London Clubs, which owns seven casinos, rose 3 to

381**½p**. Shandwick International,

Feb 18 Feb 17 Feb 14 Feb 13 Feb 12 Yr ago "High "Low 2843.3 2845.8 2858.2 2837.8 2827.8 2720.5 2865.2 2868.8 4.06 4.04 3.97 4.06 4.07 3.00 4.22 3.76 17.18 17.20 17.52 17.53 17.47 16.40 17.55 15.80 16.95 15.99 17.31 17.36 17.31 16.18 17.38 15.71

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London I		data _	.,		
Flees and falls		52 Week highs	and lows	LIFFE Equity opt	ions
Total Rises				Total contracts	60,376
Total Falls	406	Total Lows	31	Calls	36,604
Same	1,258			Puts	23,772

public relations companies, fell 3% to 56%p following news that half the board of 221/2 to 3461/2p. One analyst Capital Corporation, financial consultancy, were lems in buying freehold which has rejected a £178m leaving to set up their own

bostile hid from London business. continued to Analysts suggested the strengthen, rlsing 10 to market's response was over-1961/ap. One analyst said the done. Mr Paul Richards, of Panmure Gordon, said that it was necessary to put Shandwick Consultants into perspective. He said it represented only 6 per cent of turnover and less than 10 per cent of operating profits. WPP Group continued to strengthen, rising 71/4 to 267p, ahead of today's results, which are expected to be at the top end of the

sey-hased flower delivery service. rose 3 to 225%p, benefiting from a "buy" note from Beeson Gregory. VTR, the video production

group, fell 20 to 55%p after the company warned, just minutes before the close, that 1996/97 profits would be significantly below market expectations. A drop in interim profits

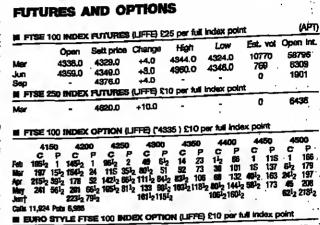
at Macro 4, the software group, allied to a warning that the company will not match previous full-year profits if exchange rates stay at current levels, sent the shares down 521/2 at 4221/2p. Analysts were said to have cut full-year forecasts to £11m, compared with last

. Regent Inns, which had results earlier this week, fell Shandwick Consultants, Its said tha business faced probproperties for conversion. Whitbread fell 13 to 791%p.

UBS reiterated its "hold" Scotia Holdings fell 291/2 to 650p, as talk of a £50m-£60m rights issue went round the market. Greig Middleton was said to he a seller of the stock. The broker was reported as saying the market had overvalued the stock on exaggerated expectations

Centrica was once again the busiest stock in the FTSE 100, trading some 62m £149m to £153m range of by the close. The shares forecasts. The market also gave up another 1% to 63%p.

of future sales.



■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

hopes there could be a share	† Long	g disted explry exorities.
buy-back.  Metal Bulletin, where results will be announced shortly, hardened 25 to	LONDON RECENT ISSUES: Edition And Mic., price paid cap 1998/97 p up (2m.) High Low Stock	Close price Net Div. Grs P/E p +/- div. cov. yld net
Reed International rallied on the back of a weakening pound, rising 16 to 1102%p. EMI Group, which has a Number One hit in the US with the Spice Girls' "Wannabe", bounced 13 to 1221%p. Flying Flowers, the Jersey-hased flower delivery service, rose 3 to 225%p, benefiting from a "buy" note from Beeson Gregory.	\$ F.P. 8.97 180 129½ † C&B Publishing 5 F.P. 3.25 3½ 3 Tealcore Groups 7 F.P. 2.00 1½ ½ Too Warrants 75½ F.P. 2.810 77½ 55 Centrice 5 E.S.3 4 3½ f.John Lawls 5 F.P. 5.53 4 3½ f.John Lawls 5 F.P. 5.53 4 3½ f.John Lawls 5 F.P. 24.7 123½ 7½ Product Tet 5 F.P. 0.38 30½ 2½ Do Warrants 5 F.P. 5.54 24½ 12½ Technoplast 5 F.P. 5.54 24½ 12½ Technoplast 5 F.P. 5.54 24½ 2½2 12bor Mining 7 Alternative Investment Mexical, 5 Pacing price. Intother symbols please refer to The London Steare Sarvi	175 3 t
VTR, the video production		

RIGHTS OFFERS price p +or-

	Feb 17	% chg	Feb 14	Year	Gross div	P/E ratio		Lorr,
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Regional Indices								
Ables (14)	2120,07	+1.9	2080.63	3280,78	4.2B	31,28	3280.79	1918.45
Australasia (7)	2053,93	+1.8	2018.30	2745.89	2,45	22,34	2861,03	1941.72
North America (12)	1624,32	-1,8	1654,90	2073.28	0.77	80.43	2134,81	1550.58
Copyright, FTSE Inter number of companies, were unavailable for the	Banks Ut	B Dollars	Berne Vi	due: 100	0.00 31/12/9	gures l 2. † Pa	n bracker ribil Later	ts show at prices

FTSE Actuaries Produced in conjunction				ng:ituje	c: Act	uanos		<b>下</b> :	ie U	K Se	ries
	D Feb 18 ch	ay's	Feb 17	Feb 14	Feb 13	Year ago	Div. yield%	Net		Xd adj. ytd	Total Return
FTSE 100	4332.3	-0.1	4\$37.8	4341.0	4327.1	8714.6	3.63	2.17	16.30	7.57	1815.6
FT\$E 290	4612.7	+0.1			4586.7			1.51	24.54	9.01	1894.4
FTSE 250 ex IT	4646.9	+0.1	4643.5	4643.1	4623.2	4192.2	3.46	1.53	23.54	8.85	1913.80
FTSE 350	2139.3	-0.1	2140.9	2142.0	2134.7	1855.5	3.58	1.99	17.52	3.83	1831.80
FTSE 350 Higher Yield	2054.7	-0.1	2056.8	2059.8	2054,7	1857.3	4.65	1.87	14.41	3.05	1483.90
FTSE 350 Lower Yield	2231.3		2232.1	2231.4	2221.8	1858.8	2.52	2.23	22.29	4.66	1570.73
FTSE SmallCap	2343.45	+0.1	2340.96	2338.92	2335.05	2041.07	2.81	1.65	25.96	4.57	1961.8
FTSE SmallCap ex IT	2350.09	+0.1	2348.72	2347.25	2344.08	2018.71	3.08	1.73	23.47	4.97	1982.1
FTSE All-Share	2111.96	_0 1	2113.17	2114 12	2107 21	1832 12	3.53	1.87		3.81	1835.8

FTSE All-Share	2111.96	-0.1	2113.17	2114.12	21073	1 1832.12	3.53	1.87	17.98	3.81	1835.
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	Feb 18 ch	ge%	Feb 17	Feb 14	Feb '	3 ago	yield%	COVE	ratio	ytd	Retu
10 MINERAL EXTRACTION(21)	4049.42	-0.2	4057.11	4033.05	4063.6	3 3220.56	3.68	2.15	15.81	15.36	1781.
12 Extractive Industries(5)	3890.27	+0.2	3881,54	3851.09	3878.3	2 4149.48	4.18	2.68	11.23	0.00	1159.
15 Oil, Integrated(3)	4183.85	-0.3	4196.14	4173,48	4209.1	03252.66	3.89	2.08		20.17	
1S Of Exploration & Prod(13)	3533.33	+0.2	3527.65	3499,50	3501.4	5 2213.87	1,47	1.90	44.83	0.00	2142.
20 GEN INDUSTRIALS(273)	1961.05	-0.2	1985.12	1991.51	1986.	31 2016.98	3.89	1,87	17.20	1.87	1109.
21 Building & Construction(35)	1351.73	-0.3	1355.57	1349.56	1350.	4 1062.78	3.04	1.62			1155
22 Building Matts & Merchs(31)	1852.15	-0.6	1862.60	1864.24	1859.6	3 1687.79	4.21	1.39	21,41	0.44	957
23 Chemicals(26)	2314.18	-D.3	2320.53	2325,18	2306.1	3 2423.02		1.42	18.57	0.56	1123
24 Diversified Industrials(17)	1481,29	+0.7	1451.05	1465,68	1471.9	3 1737.52	4.42	2.59	10.94	4.02	847.
25 Electronic & Elect Equip(39)						7 2310.11	3.44	1.34	27.06	0.80	1207
26 Enginearing(71)						4 2268.68		2.34	15.40	3.67	1556
27 Engineering, Vehicles(13)						0 2591.77		1.71	16.74	0.25	1460
28 Paper, Pckg & Printing(27)	2500.08					3 2670.70		1,79	16.77	0.00	1086
29 Textiles & Apperel(14)	1082.01	-0.5	1067,24	1085,93	1061.6	3 1479.31	6.49	1_28	15.06	0.44	684.
30 CONSUMER GOODS(85)	4042,25	+0.2	4033.44	4049,25	3999.4	3 3608.41	3.65	1.68	18.22	8.23	1531
32 Alcoholic Beverages(7)						6 2774.59		1.87	13.92	31.28	1006
33 Food Producers(25)	2855.26	+0.1	2852.57	2811,47	2762.5	5 2539.03	3.81	1.80			
34 Household Goods(17)	2798.74					2 2548.00		2.23	15.58	1.08	1130
36 Health Care(16)						1 1952 13		1,89	25.40	3,40	1396
37 Pharmaceuticals(18)	6277.68					33 5155.98		1.79	24.54	0.00	2169
38 Tobacco(2)	4415.76	+1,2	4363.52	4362.93	4381.3	5 4743.69	5.87	2.13	10.00	0.00	1137
40 SERVICES(273)	2677.24					0 2310.80		2.01	22.08	7.11	1423
11 Distributors(30)						4 2577.35		2.00		0.46	
2 Leisure & Hotels(31)						6 2850.26		2.06		16.18	
13 Medie(44)	4362.84					2 3799.97	2.18	2.12		7.62	1601
44 Retailers, Food(15)						8 1902.79	4.03	2.31	13.42		1280
15 Retailers, General(53)						3 1815.89		2.02	19.94		1226
7 Breweries, Pubs & Rest.(22)						9 2978.46		2.10		1S.84	
48 Support Services(58)	3024.49					3 2056.26	1.66	2.44	30.88		1953
48 Transport(22)	2778.52			_		6 2281.94		1.28	28.76	6.35	1190
60 UTILITIES(30)						4 2440.96		1.57	16.32	5.11	1242
52 Electricity(9)						4 2736.92		2.18	9.63	22.08	1588
34 Gas Distribution(2)						3 1600.58	7.57	*	#		881
66 Telecommunications(8)						9 1997.73	3.81	1.56	22.13		1092
38 Weter(11)					_	4 2096.64	_	2.31	9.11	0.00	1451
9 NON-FINANCIALS(B82)	2152.63		2153,55	2155,48	2148.4	3 1930.18	3.81	1.89	18.36	4.77	1681
70 FINANCIALS(106)	3957.09	-0.2	3964.28	3960,19	3946.9	6 2956.10	3.43	2.40	15.18	1.06	1747
71 Banks, Retail(B)	5811.15	-0.2	5825,44	5807.59	5783.7	7 4212.49	3.25	2.74	14.04	0.00	1945
73 Insurance(18)	1769.89	-0.1	1771.45	1778,32	1764.1	8 1412.63	4.71	2.34	11.38	1.86	1373
74 Life Assurance(7)						0 3534,86	3,38	1.78	20.78	0.00	1957
77 Other Financial(29)						9 2547.21	3.18	2.04	19.24	1,32	1862
79 Property(44)	1868.50	<u>-0.1</u>	1868.32	1868,69	1866.1	9 1445.65	3.42	1.33	27,53	2.57	1181
80 INVESTMENT TRUSTS(12Z)	3355.03	+0,4	3342.91	3340,65	3331.4	2 3122.08	2.14	1.12	52.23	5.79	1190
89 FTSE All-Share(915)	2111.98	-0.1	2113.17	2114.12	2107.2	1 1832.12	3.55	1,97	17.98	_	1835
TSE Fledgling											
TSE Fledgling ex IT	1348,40					6 1147,69 8 1147,18		0.54	79.35		1415.
ion i william av ii	134040	••••	10001.77	1301 20	ز, مبس	D 1347.18	3, 16	0.47	80.00t	2.70	1439.

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/da	y Low/de
FTSE 100 FTSE 250 FTSE 350	4606.8	4608.5	4611.A	4614.6	4614.7	4614.7	4616.2	4615.4	4612.8	4615.8	4331.2 4605.4 2138.3
Time of FTSE 100	Day's high: 8	50 AM Da	's low: 8:3	0 AM. FTS	SE 100 199	W97 High:	4341 (14/0	12/97) Low:	3632.3 (10	9/07/98) .	

		Ореп	0.00	10.00	11.00	12.00	13.00	14,00	15.00	16.10	Close	Previous	Change
	Blodg & Constron	1305.8	1306.1	1305.3	1305.6	1304.4	1304,4	1304.6	1304.2	1300.5	1300.5	1305.5	-5.0
	Pharmaceuticis	S196.0	6206.4	6227.4	6226.0	6198.8	S174.5	6160.1	S175.6	S194.8	S191.5	6193.4	-1.9
	Water	2505.5	2506.6	2504.8	2503.8	2503.6	2503.8	2502.3	2503.2	2503.2	2503.2	2508.3	-3.1
	Banks, Retail	5847.8	5861.8	5920.8	5918.4	5003.3	5905.4	5902.2	5900.2	5886.8	5885.3	5899.6	-14.5
	For further inform												
- 1	The ETCE Asked	==	1			1-0-000 P		AMERICA POLICE	- MILLAND	-	V111 T	0 1010.	

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financial # **FINANCIAL TIMES** news from a European perspective.

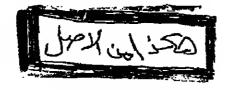
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With the sale of its aerospace and defence businesses, Rockwell, a strong company just got stronger. 🗘 Rockwell /Pts.)

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Annotes
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+/- High Low Yel P/E

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Fongt: 43,000 +300 '74,00 50,00 22, 4.8

Sample 56,800 +900 '71,00 50,00 53,00 53,00 ... 7,00

Sample 56,800 +300 '72,00 50,00 53,00 53,00 ... 7,00 US INDICES INDICES Feb Feb 1896-197
14 13 12 High Low 8

6968-96 7022-44 5961.83 7022-44 5032.94 (103.297) (107.96) (107. 7022,A4 (13/2/97) 109,77 (18/10/93) 2383,24 (13/2/97) 256,46 (31/8/93) 41.22 (8/7/32) 54.98 (1/10/81) 13.23 (8/7/32) (8/7/32) 176 -5 182 07.50 0.5 180 -2 170 25 0.5 184 -3.50 0829 68.50 1.4 25.40 -40 31.50 18 171 -2 182 6 0.8 53.50 +2 772 34 1.7 113 -350 127 57 1.8 60.50 -30 767 48.10 ... 811.82 4.40 (13/2/97) (14/6/32) 947.33 3.52 (13/2/97) (30/6/32) 94.97 (49/7-9) (14/2/97) (49/7-9) (24/4/2) 4.54 (13/2/97) (25/4/4/2) (22/5/96) (18/7/95) 1388.06 54.87 (22/1/97) (3/18/7/4) Prance Service **NORTH AMERICA** 841.5\* 843.5 844.6 844.76 13/297 2172.67 2165.29 2158.57 2172.67 18/2/97 18/24.40 18/23.43 18/24.67 18/26.73 17/297 10 418.54 418.18 429.48 20/1.67 178.15 178.02 177.95 178.15 18/267 1501-80 11/1/96 1333-01 11/1/96 341.18 2/1/96 147.55 2/1/96 E TOKYO - MOST ACTIVE STOCKS: Tuesday, February 18, 1997 Change on day +6 -10 +17 -23 -10 Stocks Traded 5.1m 5.1m 4.5m 4.1m 3.9m Change on day -1 -23 +20 +2 Closing Prices 283 325 258 752 1150 Closing Prices 261 727 3710 1800 511 Stocks Treded 7.2m 8.9m 6.4m 6.2m 5.8m 2099.00 2090.00 2103.00 2095.25 NKK Corp .......
Toshiba Corp ......
Honda Motor ......
Barryu Pharm .......
Sarryo Bectric ...... ## SOFFEX

## SOFFEX

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1905/EV High Law Stock

# NEW YORK STOCK EXCHANGE PRICES | 1500 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150

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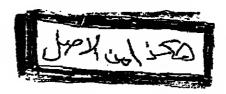
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Lineariec 0.20 2716507 481/4 47 47 51/2 - 21/4
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Lineariec 0.54 13 485/8 481/2 485/8 - 1/4 284, 1652 WMS and 200, 70, 11, 400, 2874, 2834, 2834, 343, 345, 2834, 28 | McCarmith R | 0.56 | 13 | 37 | 27 | 25<sup>1</sup>4 | 27 | +14 | McCarmith W | 0.86 | 682 | 25<sup>2</sup>5 | 25<sup>2</sup>4 | 27<sup>4</sup>4 | +16 | McCarmith W | 0.86 | 682 | 25<sup>2</sup>5 | 25<sup>2</sup>4 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | McCarmith C | 0.16 | 20 | 815 | 27<sup>4</sup>4 | 27<sup>4</sup>2 | 27<sup>2</sup>2 | Mentral B | 1.04 | 14 | 222 | 25<sup>2</sup>5 | 25<sup>2</sup>4 | 27<sup>4</sup>2 | 27<sup>4</sup>2 | McCarmith B | 1.04 | 14 | 222 | 25<sup>2</sup>5 | 25<sup>2</sup>4 | 27<sup>4</sup>2 | 27<sup>4</sup>2 | McCarmith B | 24 | 26<sup>2</sup>5 | 25<sup>2</sup>4 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | 27<sup>4</sup>5 | 27<sup>4</sup>4 | 27<sup>4</sup>4 | 27<sup>4</sup>5 | 27<sup>4</sup>5 5869 17<sup>1</sup>2 17 17<sup>1</sup>8 5499 18 15<sup>3</sup>8 15<sup>3</sup>8 Synetic 59 126 49 48 48 SystemSoft 0.10 1811 10<sup>3</sup>4 10<sup>1</sup>4 10<sup>5</sup>8 Gibson 62 14 1292 19 193; 18<sup>7</sup>5 Giddingsl. 0.12 68 4075 13<sup>3</sup>5 13<sup>3</sup>6 13<sup>3</sup>5 + 1<sub>8</sub> Gibson Ax 0.40 917 a17<sup>3</sup>4 18 17 +1 Melicor | State | Stat 0.50 18 1512 37<sup>1</sup>g 36<sup>1</sup>2 36<sup>5</sup>g - <sup>3</sup>g 16 124 16<sup>3</sup>4 16<sup>1</sup>4 16<sup>3</sup>4 16<sup>3</sup>6 13 13 51 19<sup>3</sup>4 8<sup>7</sup>8 8<sup>3</sup>8 + <sup>1</sup>4 0.72 20 2526 44<sup>1</sup>2 44 44<sup>1</sup>4 - <sup>1</sup>4 6 5486 35<sup>3</sup>8 34 34<sup>1</sup>6 - 1<sup>1</sup>2 6 5486 35<sup>3</sup>8 34 34<sup>1</sup>6 - 1<sup>1</sup>2 Screen AP 0.16 10 100 8 6 6 4-3g Screenstrand 3579 12 34 12 GTI Corp 271 612 8 638 +3g sides; slosys 55...
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44 41<sup>1</sup>s 41<sup>3</sup>s - <sup>1</sup>s SurMY Svg x 0.20 18 5955 u15 2 13 4 15 4 +1 2 6 Gymboree 16 42 10 22 5 21 5 22 5 4 8 1513093 91<sup>1</sup>8 86 89 +<sup>1</sup>8 Hrdinglaw 700 22 7 634 7 -14 Harkwyyl 0.84 15 641 31 30 3034 Harper 6p x 0.24 17 83 2234 2238 2258 +12 20 0 d0 3 14 125 25<sup>3</sup>4 25<sup>1</sup>2 25<sup>1</sup>2 HBO & Co 0.08 5612780 68 645<sub>8</sub> 663<sub>4</sub> -1 Healthcar 19 6729 441<sub>2</sub> 42 421<sub>2</sub> -11<sub>8</sub> 52 891 2858 2778 2814 ## 100 | 100 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 0.20 21 173 16<sup>1</sup>4 15<sup>7</sup>8 15<sup>7</sup>8 329 219 10<sup>1</sup>8 9<sup>7</sup>8 9<sup>7</sup>8 2354 11<sup>7</sup>12 7<sup>7</sup>8 7<sup>3</sup>8 Ord Name 0.92 18 437 9712 37 9714
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. . . . .

All foreign

# **Dow fails** to breach 7,000 level

hids for the acquirer's and

ting, consolidating variety.

Shares in AES Corp, a US

\$64% on news of a \$1.27bn

deal for Destec, which also

saw its share prire rise \$11/4

in the hotels sector, Mar-

riott International's share

agreed to huy Renaissance

in the rapidly consolidat-

ing managed healthcare sec-

tor, however, HealthSouth

saw its sbare price slip \$1%

when it announced a bid for

Horizon/CMS, in a stock swap valued at \$1.6bn. Horizon's share price rose \$21/2 to

TORONTO traded quietly

for most of the morning ses-

sion. There was little inspi-

ration from Wall Street

which made a slow start

decline of 2.09 to 6,215.51.

Bre-X Minerals continued

to lose ground. Off 95 cents

on Monday on news of the

deal with Freeport-McMoRan

Copper, the shares feli a fur-

ther C\$2.25 to C\$20.75. Abiti-

hi-Price, the paper group

which is to mergs with

Stone Consolidated, rose 60

cents to C\$23.70 after Gold-

\$16% on the news.

to \$20%

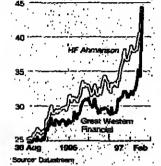
The Dow Jones Industrial Average again struggled to since most of yesterday's make a definitive break deals were of the cost-cutabove the psychologically important 7,000 level which it first breached last week. as traders returned to their desks after the Presidents' Day hollday on Monday, writes Tracy Corrigan in

At the end of morning trading, the Dow Jones Average stood at 6,994.73, up just

The Standard & Poor's 500, as a result of the deal. which crossed the 800 point benchmark last Wednesday,

#### US thrifts

Share prices (\$)



managed to hold its ground just ahove that level at 808.94, virually unchanged. However, in the first four days of last week, the Dow

had climbed 167 points and the S&P bad risen more than 22 points. The technology-rich Nas-

daq composite slipped 4.45 at 1.362.74 while the Pacific Stock Exchange technology index, which contains NYSE and Nasdaq issues, lost 0.5 per cent.

In the absence of any fresh trading impetus, the market focused instead on a spate of hids, which encouraged patches of trading activity in an otherwise dull market. man Sachs upgraded it to

The market's tendency to man Sachs us adopt a favourable view of "outperform".

# Swedish banks aflame with merger talk

#### Weaker US influences - a weaker dollar, Treasury honds and s flat to lower Dow - left a number of bourses well off the top. However, there was some spice in banks: not in France or Italy, which had had their the target's stock was again share; but in Sweden, aflame in evidence, particularly with restructuring talk; in

STOCKHOLM seemed to In the biggest deal of the be in two minds. Engineering, pharmaceuticals and day, HF Ahmanson's share price rose \$4 to \$44% after it forestries were weak, the latannounced a \$6hn merger ter showing a fall of 1.85 per with Great Western Financent after recent gains; but cial, another West Coast banks soared by 5.3 per cent, thrift. Its target fared even the construction sector put better, with a \$10% leap to on 3.5 per cent, and the \$40%. Ahmanson projected Affärsvärlden general index came out ahead on balance, that it will close a quarter of up x.x at an all time high of its retail financial network

Swedbank and Foreningshanken, suspended on Monpower company, rose \$2% to day, announced merger terms and rose hy SKr20 to SKr139.50, and SKr4.70 at SKr43.20 respectively. Nordbanken, following failsd talks with S-E-Banken, said price rose \$% to \$56% after it that the doors were still open on a possible merger Hotel Group for around with a future partner, and rose SKr20 to SKr255; and Handelsbanken on a 33 per cent jump in profits, put on

SKr6.50 at SKr207.50. Merger talks were the story in construction, too. DM1.5km within a DM12.1bm Poulenc, upgraded on Moncent in six sessions, eased from early strength, the gen-where NCC and Siab decided German stock market total day hy Goldman Sachs. Poul- F17.50 to F1359.70. Hoogoveral index easing 0.66 to

#### FTSE Actuaries Share Indices THE EUROPEAN SERIES Hourly changes Open 10:30 11:00 12:00 13:00 14:00 15:00 Cose FTSE Europack 100 2179.07 2180.18 2179.72 2178.43 2178.58 2178.20 2175.50 2172.87 FTSE Burnings 200 2204.69 2204.96 2205.54 2202.20 2202.75 2202.65 2201.59 2198.41 Feb 14 Feb 12 Feb 11 Feb 17 Feb 13 FTSE Eurobrack 100 FTSE Eurobrack 200 2165.29 2190.85 2158.38 2143.59 2133.29 2183.79 2174.50 2164.68 2191.24

to get together, and closed Norway, Denmark, the Netherlands and Germany. SKr3.50 higher at SKr89.50, and SKr11 better at SKr51

respectively. Weak links included Ericsson Bs. down SKr4 at SKr246 on mobile phone price worries, and the hus and truck SKr5 at SKr191 after a 44 per cent drop in profits.

FRANKFURT'S Dax index came back from an all-time, intra-day high of 3,287.79 to as the dollar moved from a high of over DM1.70 to a low cent to DM77.40 after it said month, saw profit-taking. BMW dropped DM40.95 or 3.4 per cent to DM1,153. Financials were mixed.

Allianz, like BMW, seemed to regret some of its recent strength and fell DM124.50 or 3.7 per cent to DM3,225. Banks showed relative strength as a sector and Dentsche was the most demand news from the active stock, trading in

Size valus 1600 (2570/90); Highway: Ho - 2181.45; 200 - 2307 18 Lowkiny 100 - 2172.87 200 - 2197 81. 1 Partel.

© FISE International Limited 1997. All rights received. as the shares rose 70 pfg to DM87.80 on a better than expected rise in profits.

However, Bayernverein, where profits had been less important than industry restructuring speculation. fell 95 pfg or 1.5 per cent to maker, Scanla, which lost DM63.45 in spite of saying it had ambitious profit targets

Restructuring produced the biggest Ibis gain of the day in Deutsche Babcock, close 29.47 lower at 3,230.83 the plant engineering group. soaring DMS.90 or 8.25 per of under DM1.69. Cyclicals, a reorganisation might cut flying high earlier this as many as 10,000 jobs, a third of the present workforce, by 1997-98.
PARIS fell hack in late

trading to follow the dollar lower. Up 5 points with an hour to go, the CAC-40 finished off 16.96 at 2,617.52. The hrighter spots among the leaders were Michelin, hit hard lately hy depressing

motor sector, and Rbone-

enc rose Fr3.90 to FFr199. and the tyre group rallied FFr14.10 or 4.2 per cent to FFr351.30.

Usinor Sacilor was heavily traded on its 1996 results, which weighed in with a hig dip in earnings but a less damaging than expected reduction for the dividend.

The steel group was also relatively upbeat about prospects for the second half of 1997. The shares jumped FFr2.70 to FFr87.20 in 3.7m traded, the heaviest single day's volume since July.

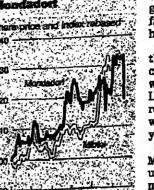
AMSTERDAM atayed firmly on the upside, underpinned by strong bonds and a positive technical position ahead of Friday's options expiries. The AEX climbed 3.43 to 735.42, another all time high.

Unilever ran into profittaking, but there was good US support for Philips and the financials continued to bounce off the strength of Dutch debt markets. Philips gained Fl 1.80 to Fl 81.20. ABN-Amro added F1 1.60 to FI 135.20 and Aegon put on

F1 3.00 to F1 124.80. Wolters Kluwer, the publisher, notched up the sharpest blue-chip advance of the session, rising Fl 8.80 to Fl 236.50 in active trade on strong rumours of imminent corporate activity.

Unilever, up almost 17 per

Mondadori nare price and index rebased



ens looked to take a short-term view of the results from Usinor Sacilor, falling Fl 1.10 to Fl 78.10 on the steeply lower 1996 profits from its French rival.

Oce van der Grinten rose Fl 2.00 to Fl 242.30 after a round of hroker earnings upgrades following Monday's strong results statement. ZURICH reversed early

gains. The SMI index shed 23.9 at 4,490 after an intraday high of 4.548.1. Profittaking hit UBS, the bank losing SFr24 at SFr1,295 ahead of Friday's results; similarly, SMH lost SFr81 or 3.2 per cent at SFr951 after tha watchmaker's 3.7 per cent gain on Monday.

MADRID, too, came back

481.29 at the end. However, Telefónica lost no more ground after Monday's Pta40 fall, closing a token Pta5

higher at Pta3,365. MILAN moved lower with the Mihtel real-time index closing off 123 at 12,238. Fiat was a weak feature, dipping L160 to L5,030 in splte of reports that the motor giant

was about to end an eight. year hiring freeze. Among second liners, . Mondadori caused an early upset with the announcement that Mr Paulo Forlin, its recently hired chief executive, was to resign. The shares ended off L1,376 at

L12,400. COPENHAGEN majored on banks, Den Danske rising DKr15 to DKr580, and Unidanmark DKr8 to DKr355 as the KFX index rose 1.54 to 157.54, its ninth all-time high in 12 trading days.

OSLO's hanks gained 3.4 per cent on Stockholmencouraged speculation about consolidation in Norway's financial sector. The total index peaked again. 12.04 higher at 1,114.22.

LISBON featured s gain of Esc105 or 17.6 per cent to Esc700 in the shipping company, Lisnave, on restructuring speculation. The BVL 30 index closed 1.20 up at a record high of 2,617.93.

Written and edited by William Cochrane and Jeffrey Brown

# Worries over Chinese leader weaken equities

#### ASIA PACIFIC

after the long weekend in China stocks fell steeply on the US, and dealers said political worries as concern Canadian volumes were well for the health of Deng Xiaobelow average. At noon, the ping, the nation's paramount leader, swept through 300 composite index was SHANGHAI and SHENbarely changed, showing a ZHEN.

> Shanghai's hard currency B shares index came off 4.75 or almost 7 per cent to 63.45. This was within a whisker of the day's low. Volume in B shares was close to 20m.

In Shenzhen, the B share index retreated 14.59 to 137.72. "There is a widespread rumour that Deng is in a critical condition. This time It sounded very different from previous rumours," said one dealer.

The rumours took hold as top Chinese officials cancelled provincial tours and

returned to Beijing. TOKYO fell 1.5 per cent as profit-taking prevented equities from improving on their best winning streak of the financial year, writes Jona-

than Annells. low, after peaking at the general contractors hurt 18,727.59. Investors cashed in the construction sector. on the rally which had hoosted the benchmark index by over 980 points, or almost 5 per cent, over the

Although there was no particular trigger, brokers said the news that Moody's Investors Service, the credit rating agency, had placed the deht ratings of Nippon Credit Bank, Industrial Bank of Japan, and Long-Term Credit Bank of Japan on review for a possible downgrade had not helped senti-

With a market holiday in the United States on Monday, the lack of foreign buying made it easier for profittakers to drive prices lower.

Rsllies have lasted three to five days in the current financial year, but the mar-

In Osaka, the OSE average fell 99.55 to 19,432.48 in volume of 88.6m shares. BANGKOK continued to

slide lower with worries about rising interest rates applying additional downside pressure to an already severely weakened market. At the close, the SET index was off 8.05 or 1.1 per cent at 700.15 as interest rate concern undermined the important financial sectors. Turnover stayed modest at Bt2.8hn

Switching out of financials helped lift Thal Telephone and National Petrochemical. which rose Bt2 to Bt23.25 and Bi2 to Bi22.25 respectlvely. Bangkok Bank lost Bt3 to Bt164

in heavy volume. The weighted index plunged more than 162 points at the opening, hut clawed hack later in the session to close off 45.15 at 7,642.03. Turnover

was T\$139hn.

Financials lost most ground. China Development shed T\$3.50 or 3.3 per cent to T\$104. There was support for electronics. Acer gained T\$3 or 5.1 per cent to T\$61.50. JAKARTA clawed above

700 on the composite index shortly after the opening bell, but then spent the rest of the session drifting lower. At the close, the index was off 6.55 or 0.9 per cent at

Sentiment was partly retreating 26.31 or 1.2 per results for 1996 today.

TAIPEI had a see-saw day unsettled by the fall in cent to 2,229.79. Dealers said regional marksts following the big negative was the reports that the health of the political uncertainty in Chinese leader was deterior-China.

> profit taking and the 30share index dropped 50.44 or 1.4 per cent to 3,580.29. Foreign investors stayed out of the market but there was heavy selling hy locals amid speculation on the shape of the upcoming hud-

BOMBAY succumbed to

month. ITC, the tobacco conglomand Tisco came off Rs3.75 to

SEOUL consolidated, and

blamed the inter-Korean issus and the Hanbo loan scandal as the composite index fell 5.99 to 706.94. KARACHI ended 2.25 per

cent higher on the first day of a new account, with hlue chips gaining ground and speculative buying lifting. get, dus at the end of the second-tier stocks.

The KSE 100 index rose erate, fell Rs10.25 to RS416.25 38,86 to 1,766.77. Engro Chemical Pakistan, a hlue chip, jumped PRs6 to PRs166, SINGAPORE lost ground on expectations that it with the Straits Times index would announce good

#### THE KOREA-EUROPE FUND LIMITED INTERIM RESULTS

The Directors of The Korea-Europe Fund Limited announce the unaudited interim results for the six months ended 31 December 1996.

		onths ende cember 195		Six months ended 31 December 1995			
	Revenue \$'000	Capital \$'000	Total Return \$'000	Revenue \$'000	Capital \$'000	Total Return \$'000	
Realised (losses)/gains on sales Unrealised losses	:	(5,900) (80,159)	(5,900) (80,159)	:	12,935 (4,938)	12,935 (4,938)	
(Losses)/gains on investments		(86,059)	(86,059)		7,997	7,997	
Dividend Income Interest from bonds	274 377	:	274 377	37 386	:	37 386	
Bank deposit interest  Gross revenue and capital (losses)/gains	170 821	(86,059)	(85,238)	460	7,997	8,457	
Management fees Other expenses	(991) (604)	-	(991) (604)	(1,105) (616)	-	(1,105) (616)	
(Deficit)/return before finance costs and taxation	(774)	(86,059)	(86,833)	(1,261)	7,997	6,736	
Interest payable	(56)	-	(56)	_	-	-	
(Deficit)/Return on ordinary activities before taxation	(830)	(86,059)	(86,889)	(1,261)	7,997	6,736	
Tax on ordinary activities	(73)	-	(73)	(68)	-	(68)	
(Deficit) / Return attributable to equity shareholders	(903)	(86,059)	(86,962)	(1,329)	7,997	6,668	
Dividend	-			-	-	_	
Transfer (from)/to reserves	(903)	(86.059)	(86,962)	(1,329)	7,997	6,668	
(Deficit)/return per ordinary share	(2.23) cents	(212.52) cents	(214.75) cents	(3.78) cents	22.75 cents	18.97 cents	
ASSETS		At 31 December 1996 \$'000 250,903 8,298		A 30 June \$'0			
Fixed Assets Net Current Assets				270,5 4,5			
Net Assets		_2	259,201	275.8			
Net asset value per	share	=	\$6.40	\$77			

The Interim Report will be sent by mail to Shareholders at their registered addresses on 28 February 1997. Copies of the Interim Report will be made available from 28 February 1997 at Senator House, 85 Queen Victoria Street, London EC4V 4EJ.

Enquiries:

Schroder Investment Management Limited John P. Bainbridge (0171 382 6742) JP Morgan

## **Mexico City hopes fade**

began to fade.

index, which had put on pesos. more than 8 points at the BUENOS AIRES looked opening, was off 1.92 at like ending a run of seven more than 8 points at the ket rates persisted, but that investors were taking a more

SANTIAGO stayed firm with continued buying from sion.

mid-morning, sentiment that cent to 115.81 at midsession. had been huoyed on hopes of Electricity utilities were interest rate reductions and among the best of the mornpositive economic news, ing performers. Endesa was At midsession the IPC more than 1 per cent to 270

3,848.52. Dealers said that straight upside days. At midtalk of a fall for money mar- session, the Merval index was off 5.69 at 728.5.

SAN PAULO also eased down 329 at 87,832 at midses-

Shares in Johanneshurg R150 and Sonth African continued to move higher with hotb industrials and gold in demand. The allshare index finished 51.7

better at 7.094.2.

8,368.1 and golds gained 22 cents to R212 on the hid 29.9 to 1,448.6. Dealers said from Harmony. Elsewhere that the market came off the among golds. Vaal Reefs top in late trading following a wohble for the rand, but that sentiment stayed firm.

Breweries rose R2 to R141.5. Golds gained from a stronger bullion price plus take-

Grootviel rose R1.30 to Industrials put on 52.2 to R10.80 and Modderfontein rose R13 to R331 and Kloof jumped R1.40 to R36.75. Western Areas ended st

in demand, and Enersis rose

with the Bovespa index

five trading days to Monday's close.

MEXICO CITY moved higher foreign funds lifting the at the opening bell hut, hy IPSA index by 0.61 or 0.5 per

Industrials, golds lift Jo'burg

ket has not managed to rise for six consecutive sessions. Volume eased from 395m shares to an estimated 392m. Declines ontnumbered advances by 724 to 368 with 152 unchanged. The Topix index of all first section

and the capital-weighted Nikkel 300 hy 2.77 to 265.14. In London, the ISE/Nikkei 50 index rose 3.88 to 1431.77. The Nikkei 225 average fell Concern over the size of 279,90 to 18,470,75, its session loan guarantees extended by

Taisel ended Y33 lower at

stocks fell 12.62 to 1,381.12,

Y502, Shimizu by Y39 at Y721. and Obayashi hy Y34 Profit-taking hit Sony, but even after tumbling Y200 to Y8,800, the electronics giant was still showing a gain of Y1,110 since the beginning of the calendar year. TDK fell Y170 to Y8,110, and Tokyo Electron plunged Y240 to Y2,450. Honda hucked the

trend, adding Y20 to Y3,710,

after pushing its all-time high to Y3,800. The over-the-counter market ended down for the ninth session in a row, and for the 24th time in 30 trading days this year, suggesting that the recent cutting of commissions by brokers had not increased the high-risk market's appeal amid a general flight to quality.

#### De Beers added R1.50 to R56.75, up R1.75 FT/S&P ACTUARIES WORLD INDICES

NATIONAL AND REGIONAL MARKETS Figures in parentheses 0.7 202.55 173.75 195.1S 181.56 -0.9 186.43 142,77 160.36 160.29 -0.9 209.13 179.39 201.50 197.30 1.0 217.33 186.43 209.41 457.51 -0.1 185.58 159.20 178.62 188.14 -0.7 336.96 289.05 324.88 32.51 -1.0 236.98 203.29 324.88 272.95 -0.8 201.53 172.88 194.18 187.69 -1.2 176.73 151.80 170.29 170.29 0.2 442.12 379.26 428.00 479.72 1.82 3.26 7.33 1.86 1.35 1.89 2.49 1.49 3.24 1.47 3.13 -0.1 1.0 0.1 -0.3 0.2 -0.4 -0.8 -1.5 0.3 0.8 1.7 0.6 -0.7 0.0 0.3 0.7 1.1 1.1 1.2 Canada (114) Denmark (32) Finland (28)... 442.12 379.26 426.00 479.72 227.14 194.64 218.85 362.26 Hong Kong (5 307.99 264.20 296.76 300.34 82.23 70.54 79.24 112.36 104.70 89.81 100.88 89.81 502.24 508.12 570.75 618.23 Japan (480).... Malaysia (107) 1.01 0.92 2.46 4.09 1.83 0.63 0.94 2.35 2.67 1.93 1.28 4.33 3.72 0.1 562.24 508.12 570.75 618.23 
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324.23 22 284.12 319.14 348.44 viexico (27) ... AS CA Norway (41) ...... Philippines (22) ... Singapore (43) ... South Africa (44 167.33 169.27 190.13 234.23 0.2 396.95 340.51 382.48 475.85 -0.2 227.45 195.11 219.16 227.67 1.3 71.51 61.34 68.90 78.92 -0.3 257.36 220.77 247.97 257.36 0.0 301.41 258.58 290.42 328.70 Thalland (45) -0.1 0.0 United Kingdom (211). 1.81 328.70 301.00 275.29 236.31 283.86 253.10 302.00 233.09 241.18 243.95 223.12 191.82 213.86 224.37 244.53 201.88 204.70 376.33 344.20 295.45 329.91 355.41 378.43 276.30 277.56 135.55 123.97 106.42 118.83 105.18 177.01 131.50 167.42 0.0 276.04 236.79 265.97 253.14 -0.5 222.61 190.86 214.50 224.71 1.80 2.63 1.82 1.37 Americas (823) 344.59 295.60 332.03 124.45 106.75 119.91 356.85 105.44 Nordic (1S1) -Pacific Basin (873). 2.08 1.82 2.00 2.70 2.06 1.75 2.13 -0.2 165.34 141.84 159.32 150.49 0.0 294.41 252.55 283.68 320.08 180.72 165.28 141.88 158.42 150.18 181.51 178.40 182.85 321.09 293.67 252.08 281.47 320.08 322.23 248.65 257.58 218.40 199.75 171.46 191.48 201.81 219.12 181.83 183.83 313.73 286.94 246.30 275.03 273.13 320.85 286.97 232.69 184.74 168.96 145.03 161.95 185.38 193.47 177.71 184.35 225.85 205.56 177.31 197.98 200.72 225.97 199.58 276.34 290.00 265.34 227.68 254.23 279.27 290.54 233.10 239.50 -0.5 199.12 170.81 181.86 0.3 288.44 247.43 277.92 -0.2 169.09 145.05 182.92

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The World Index (2465).....230.40 -0.1 211.27 181.23 203.57 206.15 0.1 1.94 230.82 210.93 181.08 202.17 205.93 230.87 202.32 208.82

158.71

206.95 177.52 199.40 200.98 265.59 227.83 255.91 279.50

IN THIS SURVEY

Banking

Pyramid sche

Oil industry

Thrana

Privatisation

Foreign aid

Production editor: lan MacDonald

Now the challenge facing

Mr Berisha has taken on for

midable dimensions. He himself faces the burdle of re-

election, probably in April,

albeit by a parliament in

which his party holds

The fragmented opposition

parties are seeking to rally

their forces in the newly-cre

ated Forum for Democracy

which is calling for the for-

unchallenged sway.

# Albania

There were bright expectations six years ago when Europe's poorest country emerged from a communist regime's repression. Now those hopes are in tatters, report Kevin Done and Kerin Hope

# Progress shown to have a thin veneer

Ibania's President Sali Berisha is reaping the whirlwind. After a reckless 12 months in which his ruling Democratic party staged deeply-flawed general elections to consolidate its hold on power, the country has been plunged into turmoil again by the collapse of a string of frandulent pyramid finance schemes.

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Weeks of violent clashes between police and desperate investors, many of whom have lost their life's savings, have led to the authorities losing control of several towns in the south of the country as public buildings and local offices of the Democratic party have heen attacked and burned.

The government turned a blind eye to these schemes because it wanted to be reelected. The population was - they were getting happy money from heaven - and the government did not want to rock that boat," says a leading western financial official. Savers were encouraged to invest by the close identification of some of the deposit-taking companies with the Democratic party during last year's election campaign.

Albania suffered worse repression than any country in former communist eastern Europe, and emerged chaotically into the modern world in 1991 with scarcely any of the structures that a western state takes for granted.

The pyramid schemes' collapse is exposing just how thin has been the veneer of the country's progress in the where average public sector

past six years towards hulld-ing the institutions of a plumarket economy. The turmoli raises fresh doubts about Albania's ability to overcome the legacy of its past and to cope with the rigours of transition as it tries to achieve its long-term goals of joining Nato and the

European Union. The chaos poses awkward questions, too, for western countries whose harking of Mr Berisha has helped him to consolidate a regime which has become increasingly authoritarian and

In the first years of his presidency, the former cardiologist and Communist party member was able to count on unanestioning support from his allies in the US and in the European Union, Anxious to avoid Albania being sucked into the deeper conflicts of the surrounding Balkans and the war being waged in neighbouring former Yugoslavia, they chose to see him as a bulwark of democracy in the region.

During the first half of the 1990s Albania appeared to have become an Island of surprising stability in the Balkan cauldron. But as the first signs of economic recovery began to emerge, the country was also becoming caught up in a growing lawlessness, which the fledgling institutions of a newly democratic state have been hardpressed to counter.

Corruption is endemic in Europe's poorest country,

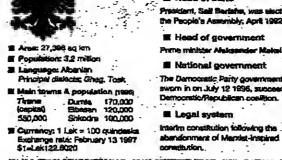
month, where gross domesralist democracy and a free tic product per capita at around \$850 is on a par with many African countries, and where the economy is kept affoat only by the inflow of hundreds of millions of doilars a year from Albanians working abroad and from foreign aid, most importantly from the European Unioo, Italy, the World

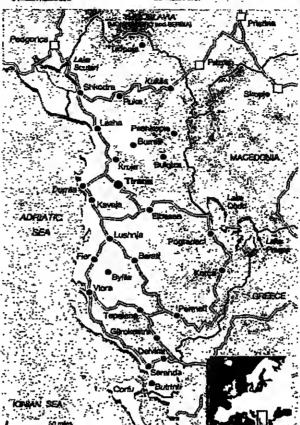
Bank, Germany and the US. Illegal activities, ranging from drugs and arms trafficking to the movement of clandestine immigrants across the Adriatic to Italy, have been able to flourish in an environment supported by widespread smuggling, in particular of oil, into neighhouring Montenegro and Serbia during the years of UN sanctions on Yugoslavia.

The foundations of the first pyramid schemes were laid four to five years ago in a country lacking a functioning banking system and in which the majority of financial transactions were carried on through informal channels, encouraging the use of the schemes for money laundering.

The real pyramid scheme "mania" only developed during 1996, however, as the government, intent on gaining re-election, chose to ignore central bank warnings of their dangerous

schemes were formed, competition drove up interest rates, and some Albanians began to sell their homes, land or livestock to





from so-called charitable foundations to double their money in just two to three months.

The collapse of the schemes, which is still under way, is causing the loss of hundreds of millions of dollars in household savings and is plunging many Albanians back into the poverty of the early 1990s. These were the funds

that should have gone into creating small businesses paid for stakes in companies being privatised. They should bave been captured in savings accounts take advantage of promises or gone into new housing,"

says a foreign banker. The failure to act earlier to halt the growth of the pyramid schemes and to create

nment of Marxist-Inspired

sound financial institutions in place of the creaking state-owned banks is also part of a wider malaise. Concern on issues such as the undermining of the indepeodence of the judiciary

and intimidation of the media, has been growing for months, but it was the conduct of last year's general elections that finally set alarm bells ringing in some western capitals, in particular in Washington.

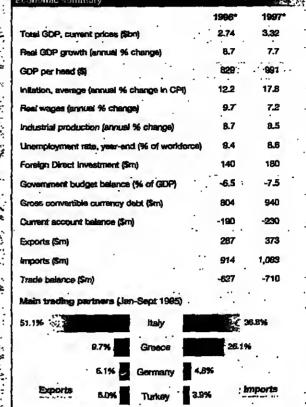
The election was widely

■ National lens Unicameral People's Assembly of 140 rs; 115 seeks are cor majority voting in single-membe 25 seats affocuted by proportional tion to those parties with

Socialist Party of Albania (SPA, the Social Democratic Party (SDP) representing the Greek ethnic mino a Bonuniman Party (RP)

- Democratic Party (DP)

Next elections due by April 15 1997 al) and Mey 2000



coodemned by international

observers amid allegations

from the opposition parties of far-reaching hallot-rig-

ging, intimidation and vio-

The recently-published US

human rights report says

that "the flawed May elec-

tions, coming at a time of

further government pressure

on the judiciary and the

press, were major steps

backwards for democracy".

According to the US study.

organised crime has surged.

the government's human

rights record has worsened,

while the judiciary is "ham-

pered by political pressures,

mation of a "technical government" and for the holding of fresh elections. But with the main opposition Socialist party itself suffering from deep internal divisions, the opposition has yet to show that it can exploit popular anger with the Berisha regime.

> insufficient resources, inexperience, patronage and cor-

Less than two years ago.

Albania was the Interna-

tional Monetary Fund's

model pupil, with inflation

down to 6 per cent and eco-

nomic growth outstripping

any other country in former

communist eastern Europe.

Those gains had already

started to slip away in last

year's fateful election year

as the government began to

lose control of the hudget

deficit, inflation started to

rise, and the momentum of

reform and privatisation was

ruption"

Western countries, the main aid donors to Albania. are still floundering in their response to the current cri

The European Union is split, with some northern European states keen to exert pressure oo Mr Berisha by cutting aid contributions. while close neighbours such as Greece and Italy, vulnerable to a mass exodus of illegal Albanian immigrants, are anxious to take a softer

The US has reversed its former policy of unwavering support for Mr Berisha. It is still calling for round-table talks with the opposition, the drafting of a new consti totion, and the holding of fresh elections.

Mr Berisha's most press ing need is to restore calm to the streets. So far he has avoided the temptation of ordering a government bailout, with the likelihood of triggering hyperinflation. But that stark risk remains.



# Foundations exposed by pyramids' collapse

Leic

The failure of get-rich-quick schemes casts a further dark cloud over prospects

Mr Ardian Bano is a partner in a fashionable clothes store in Tirana. He is a medical doctor by training, but financial pressures forced has come from a very low him into husiness just under base. Albania is the poorest two years ago. The Tirana store, Nino Vitali Creations, is the third shop he has opened with his Albanian and Greek partners.

this fledgling business, along some \$80, it was not in with much of the Albanian economy, has been cast into doubt. The collapse of the pyramid finance schemes is having a drastic impact on schemes.

"Business is down to 40 per cent of what it was in November," he says. "People were living off their interest hefore, but now they are shocked, they are waiting. The situation is difficult. People don't have money to spend. Purchasing power is low so we need a very long time to turn over stock."

Lauded less than two vears ago by many western the models of transition in eastern Europe, the Alhanian economy has left the rails during the past 12 months, and economists first two years of a threeyear deal, and it still faces secure a new agreement this

The fast growth in gross

domestic product achieved during the past four years country in Europe, with a level of development comparable with many countries in Africa. With a GDP per capita of around \$900 and an Suddenly, the future of average monthly wage of rohust shape to withstand the devastating losses of savings inflicted by the collapse of the pyramid finance

> The process of unravelling these schemes is still far from over, and it is too early to assess the extent of the damage inflicted on the economy. The signs of concern are already evident, however.

The currency, for several years one of the most stable in eastern Europe, has been devalued by around 25 per cent since the beginning of the year as confidence has

exchange market. The rate of inflation is rising, and had already climbed to around 18 per cent yearon-year in December from only 6 per cent a year ear-

pects. Its last economic sup- heavy pressure, with the port package from the Inter- domestically-financed deficit national Monetary Fund rising to 10 per cent of GDP lapsed in mid-1995 after the last year from 7 per cent in

For the moment, the govpainful negotistions to ernment still has no budget in place for 1997 and is operating on an emergency one for the first three months of the year. At one point in 1996 the excesses of election year had taken such a toll on economic management that the government resorted to financing itself on a zero interest overdraft from the state-owned banks.

Little can be datermined on the economic front until the government succeeds in resolving the immediate challenge it faces on the streets of cities across the country, where for the moment it appears to be losing the fight to maintain public order in places like the southern port city of

The ultimate price of paying off demonstrators and restoring calm through some type of government bail-out devastated savers could easily take Albania into a spiral of hyperinflation. So far, President Sali Berisha has held the line

against calls for a state-financed rescue of depositors. But the ultimate trade-off between restoring peace on the streets by resorting to the government money printing press, or confronting civil disorder while

is yet to be resolved.

"The effects of the crash of the pyramid schemes will be quite severe," says one leading western financial official. They must collapse, but it is very tricky for the government. No one wants to be hlamed. Now it is a question of damage control.

"A lot of people have lost all of their money. They must rebuild their savings. The effect oo the economy could be a hig shock, with a contraction of activity. Growth will slow as a result. It is vital the government does not undertake any bailout, but the pressure for a bail-out is huge.

Mr Ridvan Bode, who was appointed finance minister in July last year, insists that "to date we have not put new money into circulation. We have not thought to give maintaining some control of money to people who have The hudget deficit is under monetary and fiscal policies, deposited in schemes that revised by the effects of the

STANDON SPECIFICATION OF THE PERSON.

State of the state

He admits that the collapse of the schemes "will hit consumption, will cause inflation", but he maintains that there could also be a positive long-term impact as the country overcomes the collective mania of last year. "It could be positive, because people will want to be more responsible and will want to work and be more careful with their money and not just invest in such fraudulent schemes that were illu-

For the moment, government forecasts for 1997 are in tatters. The target had been to reduce the rate of inflation to around 10 per cent year-on-year by December and to achieve another year of double digit growth in gross domestic product. "All this must now he

have collapsed without crisis," says Mr Edmond Leka, director of the government's department for economic development and for-

eign aid co-ordination. Albanian government data suggest that GDP growth was as high as 14 per cent last year, following growth of 13.3 per cent in 1995, 8.3 per cent in 1994 and 9.6 per cent in 1993, when the country began its painful climb out of the chaos of the early 1990s following the collapse

Western financial observers believe that these figures are grossly exaggerated, but IMF estimates of growth of 8 to 9 per cent in 1996 would still place Albania among the fastest expanding economies of eastern Europe.

Agriculture still accounts for more than 50 per cent of Albanian economic output, but Mr Leka maintains that ita role as the engine of expansion in services and first time last year, by indus-

Government estimates. which can be used to suggest trends if not actual performance, show that construction output jumped by 18.3 per cent last year, with services growing by 25 per cent and industrial output by 15.8 per cent. Previously, in the turmoil of transition and with the closure of many state-owned heavy industries, the share of industry in GDP had declined from 41 per cent in 1989 to around

according to Mr Leka. The share of agriculture grew from 35.5 per cent in 1989 to 52.3 per cent last year, with more than half of the population still living in rural areas, and many engaged in subsistence agriculture. Last year, construction accounted for around 10.7 per cent of GDP and services for 22 per cent, up from

11.9 per cent last ysar.

13 per cent in 1989. Despite the relative economic success of the three years from 1993 to 1995, the foundations of the Albanian markets. economy remained fragile at best, and they now stand dangerously exposed by the collapse of the pyramid

Albania is overwhelmingly dependent on imports for its survival. It runs a trade defi- very fast. cit equivalent to more than • Foreign aid, Page 6

growth in the early years of 20 per cent of GDP, with recovery in the mid-1990s imports (estimated last year has now been overtaken by at around \$900m) running more than three times the construction and, for the size of exports. The only way that the country stays afloat is through the foreign financing it receives firstly from the remitances of the hundreds of thousands of Albanians who fled the country in the early 1990s in search of work, and secondly from

foreign ald. The current account deficit is estimated to have totalled 7 to 8 per cent of GDP at around \$200m last

Remitances are believed to have totalled around \$300m annually in recent years, but western officials suggest the amount could have reached \$400m last year in the final mania of pyramid scheme investment

If this flow were now to be seriously curtailed, Albania could rapidly face a growing balance of payments crisis. The foreign exchange reserves of the Bank of Alhania had held steady until recent weeks at around \$280m, but it has begun to intervene quite heavily to support the currency, the lek, in the foreign exchange

"The immediate prospect is for a lot of turmoil in Alhania," says a leading western financial official. We are not talking about a balance of payments crisis yet, hnt things can move

**BANKING** • by Kevin Done

# Lack of trust, lack of services

Investments by Greeks offer hope of putting troubled sector on its feet

The absence of a properlyfunctioning banking system bas been one of the key institutional deficiencies that has dogged Albania's also been filed by some leadturbulent emergence from ing deposit-taking compa-

state-owned banks and these institutions' inability to develop modern banking services have provided fertile ground for the development of informal financial markets and for the setting up of finance schemes, whose pro- - is providing a growing. ical and financial crisis.

Some hopeful signs have emerged in recent months. however, with the belated entry of several foreign banks into Albania. Led by three leading Greek banks -Piraeus Bank, National Bank of Greece, and Alpha Credit Bank - the arrival of these

institutions finally promises the provision of modern, efficient services. Bank of Albania, the cen-

heavy pressure on the licensing and supervisory front, however, with applications for banking licences having nies, such as Vefa Holding, The lack of trust in the which at the same time are under investigation for operating as pyramid schemes.

The lack of progress in restructuring and in privatising the three state-owned banks - Savings Bank, National Commercial Bank, the string of pyramid and Rural Commercial Bank cial institutions.

A firm commitment to reform of the sector is expected to be one of the key conditions on which the Internatlonal Monetary Fund will insist before it is ready to sign any new ecocomic support package for Albania.

Rural Commercial Bank to provide competition for and National Commercial the state-owned banks with Bank in particular are burdened by a heavy weight of non-performing loans, which have reached as high as 60 trai bank, remains under per cent of the loan portfolio at the Rural, according to Mr Ridvan Bode, finance minis-

> "We will try to sell these banks to strategic investors, foreign or Albanian," says Mr Bode, "but this process has not gone so well because of the pyramid schemes.' Mr Bode says the IMF is

pressing for the privatisation or closure of Rural Commercial during 1997, with similar action to be taken on National Commercial next

Concerns about the state gressive collapse has now source of friction between of Rural Commercial have plunged Albania into a polit- the Albanian government reached such a point that and the international finan- the European Union has insisted on moving funds for an agricultural project away from the bank to the Savings Bank. The World Bank has concerns about the operation of three of its credit lines with the deteriorating financial management of Rural

A recent study by PlanEcon, the US-based economic said analysts. that "Albania's two-tiered hanking system is the least developed in the region. A majority of financial transfers take place outside the formal banking sector, Banks simply have not developed the

capability or credibility to attract Albania's financial resources... Albania's financial system is not yet capable of penalising borrowers who are delinquent on loans. Reports have also surfaced about government officials abusing their positions to receive credits that are not guaranteed with collateral". Mr Bode insists that the

government is now committed to its recently-announced privatisation of state-owned banks by 2000. "We are restructuring," he

says. "The problem we are facing is the recapitalisation of these banks because they have many bad loans and The present restructuring

plan calls for the number of branches of Rural Commer-

cial to be reduced from 33 to nine and the number of National Commercial branches to be cut from 32 to eight, with the closure of the loss-making units. All state budget functions carried out by these two banks are to be transferred to Savings

Western bankers, however remain sceptical about the possibility of attracting forelgn strategic investors to take over either bank, "Why buy an Albanian bank? There is no attraction in banks. staff, buildings, know-how or assets," says one foreign banker who has studied the market closely.

The Greek hanks which are entering the Albanian market believe that there timetable for completing the are attractive business opportunities for new arriv-"They are trying hard to

establish a banking system,' says Mr Byron Pitsilides general manager of Tirana Bank, which opened as a subsidiary of Piraeus Bank last September. "The country has a potential for development from tourism to construction and light industry and manufacturing. The place is small; the ones that come first will do the husi-

Tirana Bank is already doubling its initial start-up capital from \$2m to \$4m. with further increases under consideration, says Mr Pitsilides. Two more branches are planned for this year in the oil town of Fier and possibly in Gjirokastra in the south or in the port city of Durres. "We eventually plan eight branches under present circumstances, but we could go higher," he says.

Mr Alexandros Katsiouris, manager of the Tirana branch of National Bank of Grsece, which opened in November, expects to attract business both from the growing number of Greek husises operating in Albania and from the very large number of Albanians working in Greece.

# PROFILE Kristag Luniku, central bank governor Feeling the cold again

Mr Kristaq Luniku'e slight. boyish frame has become bent under the unremitting strain of confronting Albania's worst financial crisis.

No one has struggled harder than the 34-year-old central bank governor to end his country's poverty-stricken isolation from the rest of Europe and to build a modern monetary system with efficient, well-supervised But in recent weeks, at

times with armed soldiers protecting the Bank of Ibania in the face of riots triggered by the collapse of string of pyramid finance schemes, be has been in despairing mood, and the bank has appeared dangerously isolated.

"I work like a dog for years, and now this happens. It is blood running into the sand," he says as he contemplates the undermining of his efforts to build the country's financial system from scratch and to establish monetary stability.

The inflation rate, reduced to 6 per cent year-on-year at the end of 1995, has tripled in the past year, and the value of the Albanian lek - for three years one of the most stable currencies in eastern Europe – has lost nearly a quarter of its value in the first troubled weeks of this

Exiled from Tirana in the second half of the 1980s because of a suspect family history stemming from his grandfather's emigration to the US before the first world war, the ascetic Mr Luniku learned monetary policy and foreign anguages from books while working at a remote branch of a state bank in Albania's northern

He had been exiled to Puke, "one of the poorest



Kristaq Luniku: has earned the respect of his peers worldwide

and coldest areas of the country", despite graduating in economics in 1986 with the best marks in his year.

"I thought I was going to work at the university, I had the top marks, but you needed a political friend, and I had not got one," be

He was brought back to the monolithic state bank in Tirana in 1990 with a brief to develop monetary policy, and was drafted into the central bank as deputy governor when it was created in 1992. He became governor in December 1994.

Albania emerged haotically into the modern world in 1991 with scarcely any of the institutions that a western state takes for granted. It fell to Mr Luniku to

establish much of the legal framework and the functions of the country's central bank, a task in which he has taken justiflable pride. Four years ago we were

just 20 people, now we are more than 300," he says. Our targets were to establish an efficient

sustainable growth and to lower unemployment and strengthen the external position of Albania. The other aim was to establish an efficient banking system and financial markets." Mr Luniku has earned

the greatest respect among his peers in western capitals and at the International financial institutions, which have accompanied each painful step of the development of the Bank of Albania. He has fought tenaciously to establish its independence and to cut back its role in financing the state hudget deficit.

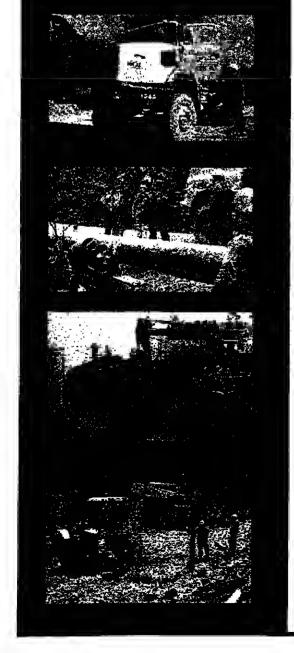
As he fights to maintain the value of the Lek, Mr Luniku is adamant that there must be no \_ government-financed bail-out of investors in the failed pyramid schemes for fear of triggering hyperinflation.

The central bank began to alert the government about 18 months ago to the dangers posed by the growth of the pyramid schemes, but such warnings only started to be echoed in public by government ministers in October. The revised Bank of Albania law passed in early 1996 effectively banned deposit-taking by any institution other than a licensed bank, but the law has never been implemented effectively by

the judicial authorities. Drafts of other laws on money laundering and usury are still to be passed

"No central bank can do more than we have done." says Mr Luniku. "The powerful character of money acts in a very unpleasant way in countries where a market economy is not established and not fully accepted."

Kevin Done



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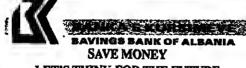
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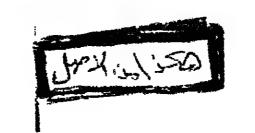


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PYRAMID FINANCE SCHEMES • by Kerin Hope

# 's worse than a disaster...

The opportunity to invest savings at 8% interest per month was too good to resist

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The street

Mr Bujar Zeqo, a clarinat player until he fled Albania to work illegally on a Greek farm, is killing time playing hingo in a smoky hall in central Tirana. He lost his entire savings of \$24,000 in the collapse of Albania's pyramid finance schemes, and now faces the agonising decision of whether to return to Greece and start all over

"It is worse than a disaster," he says. "Our children were looking forward to making their life here. At first I made money, but I reinvested, and now every cent

Mr Zeqo, 41, planned to set up his own business transporting fresb fruit and vegetables from Berat, in central Albania, to the Tirana street markets in a secondhand are still operating. The largcapital to build a bouse. His ments and re-payments of mine whether companies

three children were to start English classes.

Over the past three years,

Albanians have poured their savings into a string of pyramid schemes that paid monthly interest rates exceeding 8 per cent, com-pared to annual rates of around 20 per cent at the state-owned banks. According to western financial observers, some \$1bn was invested in the schemes, equivalent to about 30 per cent of the country's gross domestic product.

The pyramid schemes soaked up remittances from Albanians working in Greece and Italy, whose relatives at home thirsted for consumer goods and a western lifestyle after decades of grim poverty. But the excessive returns on depositors' funds could last only as long as the inflow of funds continued.

Four pyramid schemes have collapsed so far, while five other deposit-taking schemes which claim to hava productive investments van he bought last year. He est of them, Vefa Holdings, was looking for a site in the suspended both interest pay-

depositors' capital at the that appeared to have probeginning of Fehruary, how- ductive investments were

The violent demonstrations that have racked Albania over the past four weeks, including attacks on government buildings and offices of the ruling Demoinvestors' desperation at lostheir savings. As pyramid fever mounted in the second half of last year, many Albanians sold their homes and land to invest, with some schemes raising monthly interest rates to as

The unrest is also fuelled finance ministry. by a widespread belief that members of President Sali Berisha's right-wing government were closely linked with several pyramid schemes which belped finance the ruling Democratic party campaign in last year's general elections.

much as 50 per cent.

Fund, the government last November set up a so-called "transparency commission" to investigate informal deposit-taking and deter-

also operating pyramid schemes. It has not yet reported any findings. Tha government made an

unsuccessful attempt earlier this month to calm unrest hy distributing some \$227m in cratic party, grew out of funds belonging to the Xhaferri and Populli schemes. which both failed in January, to about 230,000 registered investors. The money was frozen in two state banks and represented 52 and 60 per ceot respectively of total deposits in the two schemes, according to the

However, the collapse on February 5 of Gjallica, a deposit-taking company with investments that included a private dental clinic, a brick factory and a dairy plant, underlined the risks faced by investors in schemes that appear to be backed by real Under pressure from the assets, Giallica, based in the International Monetary southern port of Vlora, was reported to have 80,000 investors and deposits of at least \$300m.

Western financial observers believe some schemes were underpinned by income

from illegal activities including drug-running and money gling of oil and weapons to Montenegro and Serbia during the UN embargo against the rump Yugoslavia, and transporting illegal immigrants across the Adriatic to

Vefa Holdings, which calls itself Albania's largest private company, was among the earliest deposit-taking schemes, offering interest rates of 3 to 5 per cent monthly from 1994, ostensibly to fund productive investment it raised rates to 10 per cent monthly in January to compete with Xhaferri and Populli, but now says rates will be cut to 3 per cent monthly.

At Vefa's headquarters, a villa in the centre of Tirana guarded by security men in dark glasses and leather jackets, flashing dots on a large map of Albania indicate the locations of Vefa's investments.

scheme," says Mr Vehbi Ali-mucaj. Vefa's president, cracking his knuckles for emphasis from behind a desk cluttered with statuettes and sports tropbies. "In five years of activity we have invested in all facets of life. We bave five and 10-year credits from powerful Italian and Hungarian companies. We have helped solve social problems by employing lots of people, about 10,000 to 12,000. We are part of every Albanian family."

Mr Alimucaj's effort to resent a western corporate nage stops short of giving details of Vefa's balance

heet. plans to join forces to estab-Last month, Mr Alimucaj lish a private bank.



revived Vefa's application for a banking licence, which was rejected by the central bank last year. Mr Alimucaj and the owners of three other deposit-taking companies under investigation by the transparency commission - Silva, Kamberi and Cena - also announced

If Vefa were to shut down, describe zens would rebel". The company is thought to bave more than 100,000 investors. among them many employees of government ministries, local staff at international agencies operating in Tirana and members of the Democratic party.

Western officials in Tirana

Vefa as tha says Mr Alimucaj, "the citi- country's largest pyramid schema and warn that measures to overbaul the which are expected to be among conditions set by the International Monetary Fund for resuming lending to Albania, would be undermined if it was allowed to open a private bank

POLITICS • by Kerin Hope

# Rough road to democracy

A fragmented opposition will attempt to press for new elections to parliament

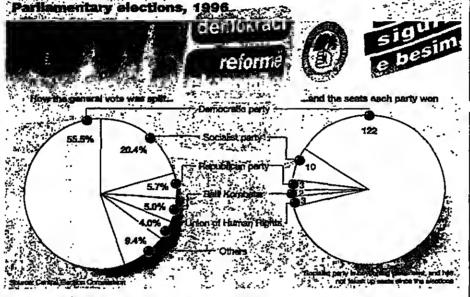
Builders bave moved into the headquarters of Albania's ruling Democratic party to transform the crumbling building, with its uneven floors and peeling paintwork, into a gleaming symbol of power. But no refurbishment can mask the right-wing Democrats' discreditable showing at last year's general elections. when they resorted to voterigging and intimidation in order to ensure a new fouryear parliamentary term.

Albania has stumbled badly on the road to democracy, and the impact of the flawed election is still being

Violence has returned to of their bard-earned savings in the collapse of Albania's pyramid finance schemes. President Sali Berisha and the prime minister, Mr Aleksander Meksi, stand accused of allowing the pyramid schemes to flourish as part of building a "feel-good" factor in an election year.

The main characteristic of this state is the lack of transparency in everything, and only the corrupt don't like transparency. It's not that they can't control the pyramids; they have the means to do it. This is politics, not naivety," says Mr Neritan Ceka, chairman of the centrist Democratic Alliance, a splinter group formed by co-founders of the Democratic party who clashed with Mr Berisha.

In response to the political and financial crisis, the fragmented opposition parties earlier this month set aside their differences to establish a Forum for Democracy, led by the ex-communist Socialist party, to press for new elections. Maanwhile, Mr Berisha, mindful of the barrage of international criticism he faced over his handling of the general elections, bas so far attempted to contain the protests rather than quell them by excessiva use of force.



Mr Berisha has become more sensitive about using gest backer, criticised the elections and started pushing for political reform. First on the agenda would be the preparation of a new constitution, delayed by the government'a heavy defeat in a 1994 referendum on draft proposals giving the president greatly increased powers. Next would come fresh parliamantary elections, based on the new constitu-

Albania's political leaders would agree the constitution at an all-party "round-table," proposed by the US to ensure the participation of the main opposition Socialist party. The Socialists are boycotting parliament, claiming the Democrats "stole" the

election. While Mr Berisha has accepted the notion of the round-table, aven calling one himself to discuss the pyramid schemes' collapse, he rules ont an early election, asserting defiantly that he is "proud and happy" with Albania's electoral record since the Democrats came to

power in 1992. Monitors from the Organisation for Security and Co-operation in Europe, however, said the election was marked by serious irregularities. Tha so-callad "genocide" law banned more than some irregularities - iso-

130 candidates, mainly from communist-era tactics to party, from running because the streets as demonstrators maintain his authority since of their links with the forbeat up opposition supporters at election rallies. On polling day, May 26, election officials were intimidated, voters harassed and ballot

boxes tampered with.

The Democrats won almost 56 per cent of the vote but took 122 of the 140 seats in parliament, thanks in part to the opposition parties' decision not to contest re-runs in 17 constituencies where vote-rigging had been most flagrant. The Socialists captured 20 per cent of the vote but have refused to take up the 10 seats they won.

Nine smaller parties shared the remainder of the votes, but only the right-wing Republican and Balli Kombatar parties and the Union of Human Rights, representing the ethnic Greek minority, are represented in parliament.

Given a chance to redeem their record at local governhave swept the board again. Only one large city, Shkodra in northern Albania, elected a mayor who was not from the ruling party. The OSCE failed to gain access for its monitoring team a few days before the local government poll, but a western diplomat in Tirana said: "There were

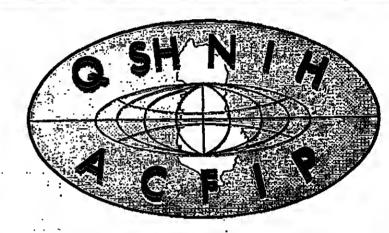
lated incidents of fraud the ex-communist Socialist but they were not enough to

change the outcome." The Socialists, battling to protest at the disappearance the US, formerly his stron- mer Stalinist regime. Police regroup after a bruising local election results, and there is pressure from younger members for them to resume the role of a democratic opposition by taking their seats in parliament.

> The young reformers have gained ground after forcing their elders to agree to write marxism out of the party constitution and formally accept private ownership and the need to encourage foreign investment.

> The Socialists are not likely to sort out their problems until the release from jail of Mr Fatos Nano, the party chairman and a former prime minister, who was sentenced to seven years in 1993 on charges of embezzling Italian aid funds. But younger party members are already clamouring for a dif-

ferent style in opposition. Mr Ilir Meta, 27, who failed to win the general-secrement elections in October, tary's job, the party's most the Democrats claimed to powerful post, at the congress by just three votes, says: "You don't need a snper-powerful leader. No one person can guarantee democracy. Things can't go forward without a dialogue. but both sides have been dominated by intolerance. Albania needs a new politi-Profile, Page 4



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PROFILE President Sali Berisha

# Physician to stand by prescription

His supporters praise President Sali Berisha as a reformer who introduced democratic politics and the beginnings of a market economy to Albania. They claim that his forceful personality - together with his fluency in French and English - did much to persuade international credit agencies and bilateral donors that Europe's poorest country. deserved generous backing.

Even his critics concede that Mr Berisha, a 52-year-old former cardiologist, succeeded in making Albania an area of relative stability in the Balkans amid the turmoil of the Yugoslav wars of succession. And few Albanians would dispute Mr Berisha's ambition of eventually integrating his country into the European Union and Nato.

Mr Berisha now faces the higgest challenge of his sbort career as a professional politician. His Democratic party has already lost credibility because of its flawed victory in the general election last May, which, according to western observers, was marked by widespread ballot-box fraud and the intimidation of

political opponents. The government's handling of the violent unrest caused by the collapse of a string of pyramid finance schemes will determine both the Democratic party's survival in power and Mr Berlsba's own political future.

In an interview last month, the president brushed aside a suggestion that the government ignored warnings from Alhania's ceotral bank and the International Monetary Fund of the imminent collapse of the pyramid financing schemes. He indicated, however, that it would follow the advice of western institutions and avold mounting a rescue scheme for those who lost their life savings.

"Pyramid schemes are a phenomenon of capitalism in various countries at various stages," he said. against them. I'm sad about the pain caused to investors, hut we cannot bave macro-economic destabilisation which would hurt every Albanian. There can be no political or economic slow-down.

Just over six years have passed since Mr Berisha



President Berisha: his career faces a big challenge

emerged on the Albanian co-founder of the Democratic party, after a student rebellion in Tirana in December 1990 forced President Ramiz Alia to allow the establishment of a pluralist political system.

As a prominent cardiologist permitted to study in France, Mr Berisha belonged to the Albanian establishment, although he vehemently denies that he served as personal physician to any of the elderly Stalinist nomenklatura.

Mr Berisha said that at a crucial meeting of intellectuals with Mr Alia in July 1990, called as the communists' grip on the country was starting to weaken, "I asked him to abolish the article of the constitution giving begemonous power to the Communist party. He was very aggressive with me, but I defended my positions."

At first Mr Berisha enjoyed a high approval rating, leading the Democratic party to a sweeping victory in the 1992 general election and earning the praise of international:observers

However, since his defeat in a referendum on a new constitution in 1994, when voters rejected proposals to reinforce the president's powers, Mr Berisha has been accused by political opponents of sanctioning the revival of

intimidation and violence. Faced with the prospect of continuing unrest over the failed pyramid schemes, Mr Berisha will be looking anxiously to the west for political and economic support.

Kerin Hope

# Nation's army is waiting to sign up

The bizarre days are gone; now the military chiefs want membership of Nato

that bave developed such hizarre defences as the concrete bunkers huilt throughout Albania in the 1970s on the orders of Mr Enver Hoxha, tha late mainly Stalinist dictator. They still bear witness to his policy of keeping the country poised to defend itself against imaginary invaders, whatever the cost.

approaching Tirana's international airport, ranks of distinctive round bunkers can he seen stretching in eastern Europe to apply across the plain, apparently intended to guard the Adriatic coastlin

"Ahout 250,000 were constructed," says Col Bektash Kolasi, director of planning at the defence ministry, "but as it was

between them, they were not of much military use." Albania has worked hard

over the past four years to shed its militarist tradition. The armed forces have been placed under civilian control There can be few countries and their total atrength cut from 90,000 to 35,000. About half the officer corps has heen made redundant. while the 600,000-strong reserve force composad including 150,000 women, has been disbanded. Albania is an enthusiastic

member of Nato's Partnership for Peace - the military co-operation From an aircraft network - and, as defence ministry officials untiringly point out, was the first former communist country for full membership of the alliance. A small Albanian contingent has been serving with the Nato peace-keeping force in Bosnia.

"We live in a region burdaned with armaments," says Mr Leonard Demi, sec-

impossible to communicate retary of state for defence. advisers and technical assissoon as possible. We want to meet all the alliance standards and create an effective army with the smallest possible number of personnel."

Albania plans to rely on a small army of 25,000 conscripts, who will serve for 12 months or less, under the command of 6,000 officers and 4,000 NCOs, he says. To help speed up the modernisation, officers who agree to voluntary retirement at the age of 50 will be paid 50 per cent of their salary for two

Given Albania's pressing need for invastment in rebuilding infrastructure, spending on defence has been reduced sharply. Outlays last year were held down to 1.8 per cent of gross domestic product - the lowest in tha region - and 4.3 per cent of government spending, Mr Demi says.

The restructuring has been carried out in close co-operation with the US, which provides military

"We'd like to join Nato as tance. Officials in Tirana are her. keen to stress, however, that US military aid to Albania is "non-lethal". They play down a pledge made hy Mr William Perry, US defence secretary, during a visit to

> The US has been supplying the Albanian army with uniforms, trucks and other vehicles and a wide range of communications equipment "aimed at improving inter-operability with Neto forces," says Col Kolasi.The US also provided five coastal patrol boats to help enforce

the UN emhargo against

Serbia and Montenegro dur-

ing the war in Bosnia.

An important factor in the US-Albanian relationship has been the willingness of President Sali Berisba's right-wing government to make military facilities in Albania avallable to US forces carrying out surveillance missions over Serbian territory, as if the country

were already a Nato mem- ministries in Tirana and

Moreover, Mr Berisha has held firm in public to the western view that neighhouring Kosovo, the Serbian whelmingly Albanian population, should not seek inde-Tirana last year to provide pendence. Albania's dream Alhania with aid worth of uniting ethnic Albanians nia in a Greater Albania is rarely mentioned.

"Albania doesn't have tha capacity to defend itself," makes sense to aim for Nato membership."

Military ties with Greece, the only Nato member sharing a border with Albania, have been restored after a prolonged period of political tension, culminating in a border incident in 1994 in which two Albanian conscripts were killed, allegedly by members of a Greek terrorist group.

Alhanian officers have received training in Greece and contacts have intensified between the defence any longer.

expensive in which to carry

out seismic exploration

work, and the authorities

have been forced to allow

momentum of the explora-

pushing ahead with negotia-

tions with the international

oil industry for concessions

in the second onshore licen-

complete by June. "We are

ing more applications than

Athens. The Greek defeoce ministry is paying for the construction of a new wing at Tirana's military hospital.

In the longer term. province with an over- Alhania must address the question of procuring weapons suited to its new, modest needs. The army's obsolete Russian tanks, some bullt in both Kosovo and Macedo-during the second world war, date from Alhania's participation in the Warsaw pact in the 1950s. Deliveries of Chinese equipment ceased says a western diplomat. It in the 1970s, hut Alhania continues to manufacture small arms.

Col Kolasi says the air force's Chinese-made MiG fighter aircraft are still flying, although spare parts are difficult to find. Tanks made in China to a Russian design are also operational. The four Russian snbmarines which were stranded in a base off the southern Albanian coast when the Hoxha regime split with the Soviet Union in 1960, "are still afloat, hut thay can't dive

OIL INDUSTRY • by Kevin Done

## Production breakthrough still elusive Ademi. "We are confident we

Two offshore explorations now under way offer hope for an

economic lifeline The international oil industry has invested more than \$150m in oil and gas

exploration in Albania since the early 1990s, but the breakthrough that would turn the country into a significant new producer of hydrocarbons in Europe remains elusive. Hopes are currently

pinned on two exploration wells, one offshore and one onshore, which are being drilled by Agip, of Italy, and by Ina Naftaplin, the Croatian oil company. They should be completed in the As the country reels under

the impact of weeks of civil unrest over the collapse of the pyramid finance schemes, any discovery of commercial quantities of oil and gas would assume a huge psychological impordevelopment.

Ademi, director of Albania's national petroleum agency. Foreign oil companies believe that the introduction of modern exploration and production lechnologies can help to transform the prospects of the sector.

equipment currently in use

is antiquated and obsolete, and oil ontpnt has fallen sharply in recent years from between 2m and 2.5m tonnes a year in the early 1980s to little more than 500,000 tonnes a year - or 10,000 barrels a day - at present. Around 50 per cent of Albania's oil products needs

The existing industry faces dire environmental problems onshore, with crude oil leaking directly onto farmland and into streams and rivers from corroded and cracked wellbeads and pipes.

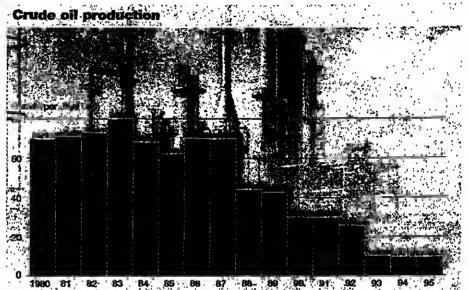
are now imported.

Despite such formidable challenges, oil and gas exploration has attracted more foreign investment than any other sector in Albania, But the effort could begin to flag unless there is a significant discovery soon. Offshore, three oil groups

are still working actively -OMV, of Austria, Occidental, the US oil company, and

Occidental is due to drill a well in deep water on block Adriatiku 3 in the summer, having completed the prepatance and would provide a ratory seismic work. The lifeline to future economic first well drilled on the block in 1995 achieved some gas We are waiting anxiously shows, but it was abandoned for the results of these two after encountering both lechwells," says Mr Fathardh nical and geological problems and very high pressure. Most immediate attention

is focused on Agip, the operator and contractor on block Adriatiku 4, where the Italian group began work at the end of December on a second well. The first well was dril-Much of the plant and led jointly with Chevron. Agip is drilling chiefly for



gas. It has identified a structure which is believed to straddle the Italian and the Alhanian sectors of the Adriatlc, and the group has already found commercial quantities of gas on the Italian side with its earlier

Falco discovery. results of the two new wells on blocks Adriatiku 3 and 4 to be able to make a judgment on where offshore exploration is going," says Mr Ademi. "The early seismic work offshore was very promising, hut some structures no longer look so

While results from the early years of offshore work have been disappointing to tainous terrain of much of we expected," says Mr and Ballsh-Hekal fields.

date, some promising oppor-Albania makes the country one of the most difficult and tunities have begun to open up onshore in Albania.

Under concessions granted in the first onshore licensing round of the early 1990s, three companies - the some of the oil companies Anglo-Dutch Shell group, more time in meeting their Croatia's Ina Naftaplin, and drilling commitments. The "We must wait for the Coparex, of France, are first weil is unlikely to be working on four blocks. Ina drilled by Coparex until 1998. Naftaplin is currently dril- In order to maintain the ling a deep well at Peza, close to Tirana. It is the first well to be drilled onshore in the modern era hy a foreign oil company (excluding a joint venture well completed hy Premier Oil of the UK sing round, which it aims to with Alhpetrol, the state-

owned oil company). The inhospitable, mounare going to sign five or six greemants." Applicants include OMV and Occidental, as well as

new entrants to Albanian oil and gas exploration such as Enterprise Oil and Clyde Petroleum, of the UK, and Anschutz, of the US.

While the big hopes for the Albanian oil and gas industry are pinned on the prospect of new discoveries. Albpetrol, tha state-owned oil company, is seeking to improve output from existing fields through a series of joint venture agreements for enhanced oil recovery

lt is working with Premier Oil, of the UK, on a project for steam injection on Alhania's higgest onsbore field. Patos Marinze, close to the southern town of Fier. The exploratory phase has been completed, and the partners are currently facing tough financing decisions about whether to embark on the development stage that calls for total expenditure of up to \$200m over a period of four to five years.

Alhpetrol has agreed with Fountain Oil, of the US, on a project that could lead to the tal wells to boost production tion effort, the agency is at the Gorisht-Koculi field, ment approval for an agreement it has reached with the 'Australian Kitari group for the use of bacterial very optimistic after receiv- enhanced recovery techniques on the Cakran-Mollai

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(Patos Marinza Pilot Steam Injection Project)

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Premier Oil the international oil and gas producer, and Albpetrol, Albania's state oil and gas company are working together in a unique. joint venture to explore, develop and produce Albania's oil reserves. The joint venture is currently involved in two thermal pilot projects, drilling and work-overs in the Patos Marinza oil field, the largest onshore field in Europe in terms of original in-place reserves. Exploration work is also underway in the Dumre block where 2D seismic is being acquired.

The achievements of this unique joint venture are possible because of the successful integration of the local expertise of the Albpetrol team and the technology and oilfield management skills of Premier. Many companies talk about the potential business benefits of East/West European joint ventures, but Premier Oil and Albpetrol are making it happen.

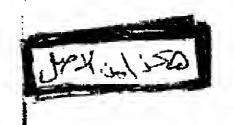
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Investment from the private sector is likely to pave the way for rebuilding

collapse

mside the dilapidated public telaphone exchange in Rhogozhine, a small town south of Tirana, residents place calls by pushing scraps of paper with numbers written on them through a small opening in a concrete wall. If a connection is made, an operator's hand emerges, proffering the caller a grimy telephone receiver.

Behind the opening, two switchboard operators dial patiently on old-fashioned has only two long-distance telephone lines to serve 10,000 inhabitants, failed connections and long delays are frequent, the operators

There are just 250 private telephones in Rhogozhine, belonging to families whose names and addresses appear on labels stuck to elderly manual switchboards - one Russian and another made in Italy before the second

Albania has only 1.4 fixedwire telephones for every 100 inhabitants, compared to 6.3 in Macedonia and 49 in Greece. Lines are now easily available in Tirana, thanks to the installation of a digital exchange, hut in the countryside where twothirds of the population live, there are so few telephones that Alhanians working abroad relay messages bome through special programmes broadcast hy local radio sta-

The modernisation of Albania's neglected infrastructure, from telecommunications and power and water supplies to roads, harbours and airports, is assuming more urgency as the government seeks to sustain high economic growth and attract foreign investment in sectors that are important for the future, such as mining, tourism and energy.

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Albania's policy of self-isolation under communism added an ideological obstacle to the development of transport and telecommunica-



Throughout the country motorised traffic has to negotiate poorly-maintained roads - and horse-drawn carts

past three years, the rapid expansion of trade, together with the effects of restructuring in key sectors such as agriculture, have put an enormous strain on the country's inadequate utilities and transport system.

About 60 per cent of Albania's current three-year Lek122.5bn programma for public investment is being spent on repairing and modernising hasic infrastructura. The plan. launched last year, includes Lek33.7hn in funding for transport improvements and Lek22.7bn for upgrading water supplies. A total of Lek10.8bn is earmarked for the energy sector and Lek3.6bn for telecommunica-

According to Mr Edmond Leka, head of the finance ministry's economic development department, about 60 per cent of the current investment programme is being financed through foreign aid. In addition to loans from the World Bank, Japan and the European Bank for Reconstruction and Development, funding is provided by EU grants and bilateral donors, led by Italy.

In the longer term, however, the government will have to seek private-sector investment and huild-operate-transfer projects in order to complete the remulding of infrastructure. As a first tions, which was already step, the energy sector hampered by its ruggedly including power generation mountainous terrain. In the and distribution - is being

and the figure 12 porce for a series in

opened up to strategic inves-

Mr Abdyl Xhaja, energy minister, says the government is looking for strategic investors to take stakes of 70 per cent in the electricity distribution networks for Vlora, Elbasan and Shkodra, three of Albanian's largest cities. "First comes the privatisation of distribution. then of electricity generation," he says. "New capacity will be privately owned, and only transmission will remain in state hands."

In the meantime, the public investment programme calls for outlays of Lek9.9bn to rehabilitate four of the 10 ageing Russian and Chinesebuilt hydropower plants which provide some 90 per cent of Albania's electricity output, and to reduce power losses in the inefficient electricity transmission and distribution systems.

While industrial consumption has fallen sharply with the closure of many Albanian factories, households are consuming more electrictty than ever. Their use of newly-acquired consumer goods such as washing machines, driers and space heaters has overwhelmed urban distribution networks. There are daily power cuts in Tirana and other cities in the winter months.

A report by the World Bank estimates that as much as 49 per cent of Albania's total electricity output is lost from the distribution sys-

tem, with theft by households making illegal connections to the network accounting for some 36 per

cent Another unexpected outgrowth of the market economy, a surge in ownership of private vehicles after a 50year ban under communism, is blamed for the swift deterioration in Albania's roads network. There are now more than 94,000 private cars in Albania, compared with fewer than 10,000 in 1991

when the ban was lifted. Investment in roads is focused on creating northsonth and west-east corridors for cross-border traffic. But the immediate priority has to be the widening and resurfacing of narrow, potholed highways used both by transit trucks and local traffic, including pack-mules and borse-drawn carts.

Mr Arben Babameto, state ecretary for transport, says: "It's true that the roads have heen getting worse, not better. This is because funds for renovation are not sufficient. and bave sometimes been used badly. A total of Lek4.6bn is allo-

cated for opgrading the 430km north-south road from the border with Montenegro to Kakavije on the Greek frontier. Another Lek7.1bn will go

towards improving the mountainous 240km eastwest corridor from the port border, which is planned to any of about \$80 a month.

become a transit route from Adriatic through Albania, Macedonia and Bulgaria to the Black Sea.

Durres port itself is being modernised through a Lek3.8bn project to improve docking, cargo handling and warehouse facilities. The plan also provides for construction of a ferry terminal to bandle a rising volume of passenger traffic.

Albania's fixed-wire telecoms network is gradually being improved. Five more digital switches are to be installed, adding 54,000 new lines to city networks by 1999, and fibre-optic cable is being laid as part of a net work of trans-Balkan links, but a project to improve rural telecommunications is

Last year, Albanian Mobile Communications, a stateowned company, launched the country's first mobile telephony service, a GSM network built by Alcatel of France at a cost of \$8.5m. The cellular network is to cover Tirana, Shkodra and Vlora hefore being extended to the rest of the country.
While the mobile network

should give a boost to bustness activity, and will reassure foreign investors of Albania's commitment to rapid development, AMC's \$900 subscription fee and high operating charges are well beyond the reach of an of Durres to the Macedonian average Albanian with a sal-

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# Change built on shaky foundations

A glance at the signs outside Tirana's new cafes. - Bar Soros, Dolce Vita, John Belushi Bar - reveals the impatience of young Albanian entrepreneurs to acquire wealth and fame.

Neon lights and colourful window displays contrast with the capital's drab Stalinist-era buildings, hung with lines of washing and spotted with satellite dishes. The indoor fixtures of a typical cafe:- ' wood-panelling, stereo speakers and an espresso machine - suggest that' substantial investment is needed to enter a fiercely

competitiva market: Yet few of the bars, cafes and card saloons that have proliferated around the city since Albania's economic transition took off three years ago appear to be based on solid foundations. Many have been constructed illegally on . publicly-owned land, including parks and

recreation grounds. The John Belushi, for example - named after the Hollywood actor of ethnic Albanian origin - is one of several cases built on tha banks of the Lana river, which carries untreated

sewage through the capital. Mr Albert Brojka, mayor of Tirana, was the governing Democratic party's boss for the capital

city hall at last October's local elections. He says the council is reluctant to pull down illegal buildings "because these people have invested everything they

have in order to put them up". Tirana's population has swelled from 350,000 to 550,000 in the last five years and is projected to reach 1m by 2005, according to Mr Brojka, Village . after the collapse of the

people poured into the city communist regime, which hanned Albanian families from moving to the capital and used internal exile as a political weapon against At Kanza, on the north-western edge of

Tirana, a makeshift settlement of wooden huts, built mainly by immigrants from northern Albania, is being transformed into a suburb of breeze-block homes. Its residents take electricity directly from the distribution network, and water from the mains, without paying. There are no public facilities for waste disposal.

In central Tirana, private contractors are filling spaces between decayed blocks of communist-era housing with smart new apartment buildings, to the amnoyance of residents who bought their homes from the state in the early 1990s. Many such sites have been reclaimed by the descendants of former private owners and sold for

development. "Wa came downstairs one morning to find our garage being demolished," says Mrs Mimoza Gjoka, a social security institute employee who lives in an old . apartment block near the city centre. "Now there's a

six-floor building going up in the yard. It will shut out light and take away the children's playing area." Even by the standards of communist eastern Europe, Tirana was a dull capital, with traffic restricted to

bicycles, horse-carts and elderly buses. For most residents, entertainment consisted of a weekly performance at the Palace of Culture or an evening stroll along the river bank. Small-scale business activity has transformed the city, from corner grocery shops and secondhand clothes dealers who invite customers to select a garment from a heap on the ground, to a

few supermarkets and shops selling Italian-label clothes and accessories. Rilliards, bingo and video games are played around the clock in Tirana. The most popular car is a

exuding fumes from poor-quality fuel. Concern is growing over

> of the changes. Atmospheric pollution has increased, and although the city's main streets are kept clean, rubbish piles up in back streets and empty A United Nations

Development Programme report describing urban conditions in Albania says: The explosion in the number of vehicles in Albania has raised serious concerns about air quality...the quality of life in residential areas is greatly hampered by communal space full of mud or dirt, garbage and discarded junk...green areas have been severely encroached on by bars, klosks and parking spaces

What green is left is poorly maintained." Tirana's neglected infrastructure is unable to meet the demands imposed by its fast-growing population. Water is only available for four of five hours a day. The overloading of an electricity system designed for industrial rather than domestic consumers ca

daily power cuts. The waste disposal system is in such disrepair

the water supply, while a plan for a biological treatment plant for Tirana,

which would be the first to be constructed to Albania, the environmental impact is still at the study stage. A master plan for the city, drawn up in 1991, is already out of date. The mayor says that a new

land-use plan, to be completed later this year, will become the basis for an effort to control future development. He is optimistic that, as more funds become available from international agencies and bilateral donors, the city's water, power and waste disposal problems will be solved. Funding has been secured

for a \$44m project to complete a new dam 15km from Tirana and build a pipeline to connect with the main water supply, Mr Brojka says. Over the next four years, \$11m will be spent to pograde the power distribution system to prevent overloading, while the installation of new metering systems will reduce theft We're constructing a

new state," he says. "Whatever tha problems, life in Tirana is still better now than it was five years

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# Investor sentiment is put to test

Civil unrest adds another doubt over state plans for selling strategic stakes

At midday on March 10, on the third floor of the Albanian finance ministry, an auction is due to take place for the sale of a 70 per cent stake in the Elbasan cement plant - for cash. A day later, a 70 per cent stake is due to he sold in the associated limestone quarry.

The sell-off of the cement plant has for some time promised to reveal much about foreign groups' readiness to invest in the coun-

In the midst of the current nationwide turmoil over the collapse of pyramid finance schemes, the start of cash sales of some of the more attractive state assets has suddenly become a much more crucial test of investor sentiment, as well as a demonstration of the government's ability to weather the present crisis and keep on track its ambitious privatisation programme.

A total of 15 companies in eries, oil product trading, printing and textiles are due to be sold next month, and another 20 are slated for sell-off in the second quarter. Government plans to pri-

vatise strategic holdings in key industries such as cement, oil and chrome, in the utilities and in the financial sector depend crucially on attracting strategic foreign investors willing to invest both capital and modern technology.

Acceleration of the privatisation effort has been made a key priority of the new government formed by Meksi after last summer's controversial general elec-

A privatisation ministry was formed by carving this ministry, and the appointment as privatisation minister of Mr Dylber Vrioni, the former deputy prime minis-



out concrete results in these

areas, Albania's reform pro-

gramme may lose credibility.

and private sector develop-

ment may be compromised,"

Western financial officials

maintain that it is difficult

to imagine how a return to

high growth and low infla-

far-reaching privatisation

and restructuring in these

The turbulent clashes on

massive new ingredient of

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the collapse of the pyramid

finance schemes, the trend

of developments in privatisa-

There are some signs how-

says the report.

was designed to show a much-needed aense of

The chaotic events of recent weeks now threaten sectors from cement to win- to throw the programme off very least will make potential investors think very carefully about the wisdom of putting capital into a country that has become one

> After a year of drift in 1996, as it fought both general and local elections, the right-wing government of President Sali Berisha must make up lost ground. Recent economic setbacks have jeopardised the earlier success in stabilising the econ-

The ruling Democratic Prime Minister Aleksander party was lauded for its early reform actions, which supported the rapid growth of the private sector and sustained remarkable early progress in cutting inflation and stimulating growth in the years from

Allied with the collapse of many state-owned heavy

privatisation moved rapidly in the early 1990s. Most of agriculture, construction. road transport, retail trade and the food industry is now

According to the European Bank for Reconstruction and Development, the private sector accounts for around 75 per cent of the gross domestic product of Albania, one of the highest levels achieved anywhere in the whole of former communist eastern Europe. The government faces a

formidable challenge, however, to make the leap from small-scale privatisation to privatising strategic industries and the utilities, to try to attract the kind of investment that can bring modern technology to Europe's poorest country. A recent World Bank

tion and foreign investment report said the momentum was clouded. Many schemes of privatisation was lost in are talked about in Albania, the first rounds of a mass few come to fruition. voucher privatisation programme launched in 1995-96, ever, that certain large-scale which was undermined by foreign investments may be problems of restitution and about to follow the mainly ownership issues. small and medium-sized

"Progress in privatisiog investments made so far ter and finance minister, industry sectors, small-scale the banks is now the highest from Italy and Greece in sec-

priority challenge to the gov-ernment, followed by privatitors such as contract production of shoes and clothing, sation of infrastructure and and food processing. strategic enterprises. With-

Mr Selami Xhepa, director of Albania's Centre for Forsays the sale of the Elbasan cement plant, for example, is generating strong interest, with potential huvers emerging from Greece, Italy, Switzerland, Ireland, Spain, Turkey, Belgium and as far away as China. The test will come at next tion can be achieved without month's finance ministry

Mr Werner Wintermeyer, a Swiss investor who has been the streets have added a working in Albania for several years, says that his com-- is close to finalising a deal to huild a 1m-tonnes-a-year cement plant in southern Albania in a development that could involve a total investment of around DM540m and would create nearly 1,000 jobs. All the necessary government approvsays, and the financing from a consortlum of international banks, should he com-

> pleted shortly. Local representatives of ing on regardless."

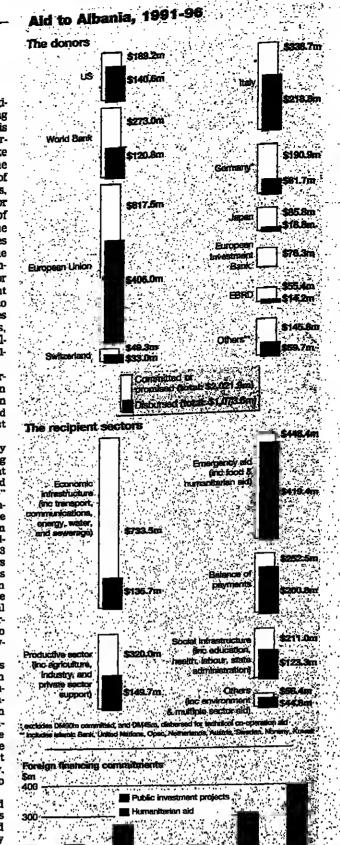
neering, metals and mining group, insist that a deal is ready for signing for the purchase of an 80 per cent stake in the Albanian chrome industry, potentially one of the most interesting sectors, where Albania accounts for the biggest reserves of chrome ore in Europe. The joint venture which includes Preussag and Zimasco, the big chrome producer in Zimbabwe is set to pay \$3.5m for its stake with a commitment to invest a further \$88m to modernise the chrome mines and ferrochrome smelters. much of which were developed with Chinese technology from the 1960s.

Some scepticism still surrounds the deal, however, in the face of the collapse in ferrochrome prices on world markets during the past

The deal is urgently needed. A year ago Preussag had already concluded that conditions at the plants and and had warned that "without any high investment the production of the Albanian chromium industry will collapse within the next 2-3 years". Meanwhile, backers of Anglo-Adriatic, Albania's first voucher privatisation fund, maintain that they are close to finalising several deals, which would bring foreign strategic investors into ventures ranging from brew-

No firm timetable exists for the key privatisations in sectors such as telecommunications and power generation, but the privatisation minister insists the government "wants to conclude this undertaking to privatise the economy and to do it soundly, steadily and legally. We are determined to go

Cautionary tales abound in Tirana from investors that have encountered severe difficulties with early ventures into the country, however. "This is the wild east," saya one western investor in Tirana. "There is going to be trouble for some time, hut that also offers opportunities. We are press



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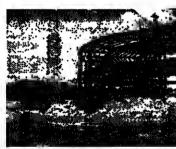
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